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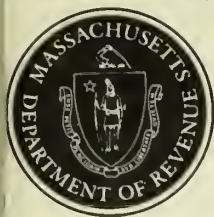


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Commonwealth of

Massachusetts

Department of

Revenue

Annual Report

Fiscal Year 1990

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REVENUE DEPT.

Michael S. Dukakis
Governor

L. Edward Lashman Jr.
Secretary for Administration
and Finance

Stephen W. Kidder
Commissioner of
Revenue

**To the Honorable Michael S. Dukakis, Governor of the Commonwealth and the
Honorable Members of the General Court of Massachusetts:**

I am pleased to present to you the FY90 Annual Report for the Department of Revenue (DOR). In FY90, DOR moved forward with an ambitious agenda to institutionalize many of the enhancements to our tax administration, local services and child support enforcement programs that we have put in place over the past several years. At the same time, we made every effort to maintain our high standards of prompt, dependable customer service in a time of increasingly scarce fiscal resources.

Responding quickly and effectively to legislative and economic changes is critical to our success in serving the four million taxpayers of Massachusetts. During these tough fiscal times, we are even more committed to making sure individual taxpayers, custodial parents, businesses and local communities get the assistance they need.

For example, in FY90, despite a tax increase that changed the fundamental structure of the income tax, we were still able to issue taxpayer refunds in under two weeks, on average. Our Local Services Division continued to play a critical role in local finance, distributing more than \$20 million in emergency funds appropriated by the legislature to ensure continuity of essential services in local communities. FY90 also brought us much closer to our goal of converting all existing child support cases from the courts to DOR, and saw the centralization of all new child support cases within the agency.

The upcoming fiscal year holds many challenges, as we build on our strong foundation of effective tax administration. Thank you for your continued support.

Sincerely,

A handwritten signature in black ink, reading "Stephen W. Kidder". The signature is fluid and cursive, with the first name "Stephen" being the most prominent.

Stephen W. Kidder
Commissioner of Revenue

Highlights

Fiscal Year

1990

DOR revamps entire inventory of personal income tax forms to reflect significant new tax law changes.

Refunds on error-free tax returns issued, on average, in under two weeks.

To speed refund processing, DOR conducts successful campaign to encourage use of the Form ABC: As a result, over 300,000 Form 1 filers switch to the simpler Form ABC.

Comprehensive *Taxpayer's Guide to the Department of Revenue* released; guide summarizes the rights and responsibilities of both DOR and taxpayers.

DOR receives national award for excellence in training.

DOR completes major redesign of its computer system.

Delinquent tax collections exceed half a billion dollars.

Massachusetts Revenue Commissioner and New York City Commissioner of Finance sign formal agreement allowing the exchange of tax information and enforcement resources between the Commonwealth and the City of New York.

DOR continues to develop successful cases against criminal tax offenders: As a result, the Commonwealth achieves a 100 percent conviction rate on criminal tax cases selected for prosecution, including the imposition of 11 fines and the two longest jail sentences in state history.

DOR's Child Support Enforcement Division (CSE) collects nearly \$70 million from non-custodial parents on behalf of their families receiving Aid to Families with Dependent Children (AFDC); an additional \$107.2 million is collected on behalf of families not on AFDC.

DOR assumes financial management of all of the Commonwealth's new AFDC and non-AFDC child support cases from the courts and continues to absorb existing caseload from 84 courts throughout the state and out-of-state child support agencies.

The Department continues to produce essential publications on child support, ranging from a summary of child support enforcement rights for welfare recipients to a guide on how to establish paternity.

DOR's Local Services Division manages \$2.57 billion local aid distribution as well as a schedule of emergency local aid advances to prevent local cash flow crises.

Local Services administers \$20 million Emergency Assistance Fund established by the Legislature to ease reductions in local aid among the most severely impacted cities and towns.

Local Services helps communities implement new deeds excise legislation and quarterly tax billings to increase revenues and generate savings.

Local Services provides data, analysis and recommendations on municipal finance to assist the Governor's Task Force on Local Finance.

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Introduction

Concerns about the economy were a dominant focus in Massachusetts in Fiscal Year 1990. After a decade of rapid growth in the high technology and finance industries, FY90 marked the onset of recession in the Northeast. Ripples of the general slowdown were seen in sluggish real estate markets, rising unemployment and a slowing of wage growth.

As business profit margins waned and consumer spending fell, the Commonwealth witnessed a sharp drop in revenues that cut across all tax types. These continued revenue declines dictated budget cutbacks and reductions in personnel throughout the Commonwealth, impacting state and local government services.

At the same time, the financial challenges facing local governments, the need for current tax revenue guidance, and the growing demand for strong enforcement of child support laws, made the services that the Department of Revenue (DOR) provides even more important to Massachusetts citizens and communities. In FY90, DOR worked hard to restrict costs without sacrificing its high standards of customer service.

DOR Moves Quickly to Educate Taxpayers on Personal Income Tax Law Changes

Perhaps the greatest tax administration challenge facing DOR in FY90 was the implementation of legislation that fundamentally changed the Commonwealth's personal income tax system. In July 1989, the Legislature passed Chapter 287 of the Acts of 1989, a temporary, two-year income tax increase that not only raised the basic tax rate for earned income, but also exempted certain types of income from the increased rate. In so doing, this legislation created three distinct tax rates and income categories — the first such change to the underlying income tax structure since the Commonwealth established a two-tiered income tax system nearly 20 years ago.

DOR moved quickly to educate taxpayers and tax practitioners as well as its own employees about the impact of the new law. Three days after final approval of the legislation, for example, DOR mailed notices explaining the law change to the Commonwealth's largest employers — firms employing 80 percent of the state's workforce. Within 10 days, the Department had mailed complete withholding tables to all 190,000 Massachusetts employers.

DOR's next challenge was to rewrite and redesign all of the state's principal personal income tax forms used by over four million taxpayers each year. This effort included extensive revisions to Form 1, the comprehensive resident form; Form ABC, the resident short form; Form 1-NR, the nonresident form; and all the supporting schedules and secondary forms.

Although reporting three categories of income meant that the 1989 tax forms would be more complicated than in previous years, DOR's goal was to keep tax forms as simple as possible by using color-coding to highlight changes and distinguish between income categories. Once the new forms had been designed, advance proofs were circulated among tax professionals outside the Department for comment and critique; many of these suggestions were incorporated into the final forms.

Once final drafts of the tax forms were approved, DOR changed all 55 of its personal income tax computer programs to ensure form accuracy and data entry efficiency and began preparing its taxpayer assistance staff for what promised to be a demanding filing season. Tax specialists received intensive training so they would be familiar with the new law and ready to assist taxpayers by preparing tax returns, answering questions and responding to written inquiries. Throughout FY90, more than 1.4 million taxpayers took advantage of DOR's telephone and walk-in tax assistance.

In addition to revising tax forms, DOR added a new section to its publication, *A Guide to Filing Your Massachusetts Income Tax Forms*, the Department's equivalent of IRS Publication 17. The new section contained detailed explanations of the tax changes brought about by Chapter 287 and included helpful examples and samples of completed forms.

One of DOR's top priorities for the filing season was to continue to issue refunds as quickly as possible. Anticipating that an increase in taxpayer errors would slow processing time, and without the resources to hire more data entry operators, DOR encouraged eligible taxpayers to file the easier-to-use and faster-to-process Form ABC rather than the more comprehensive Form 1. Over 300,000 Form 1 filers made the switch to the Form ABC after DOR raised the income eligibility level to \$80,000 and

mailed an ABC to all eligible taxpayers. Even with a 20 percent increase in taxpayer errors, DOR was able to get refunds out to ABC filers in just 12 days on average — two days faster than originally pledged.

Taxpayer Rights and Responsibilities Detailed in DOR's Comprehensive Guide to the Department

In addition to providing effective taxpayer assistance programs and fast refunds, DOR is committed to helping taxpayers comply with the law by offering clear guidance on even the most complicated tax matters. Part of that commitment means making sure taxpayers know how to get answers to questions and where to go within the Department to resolve difficult tax issues.

In FY90, DOR published *A Taxpayer's Guide to the Department of Revenue*. The guide covers a wide range of issues frequently raised by taxpayers — from how to get basic information to how the audit process works. The guide also explains all of the rights a taxpayer has to appeal a DOR decision. Although the guide contains extensive information on Massachusetts tax law and procedures, it is designed to assist the average taxpayer who has no prior experience dealing with the Department. Written in the most straightforward and nontechnical terms possible, the guide makes it far easier for taxpayers to understand their rights and responsibilities under the law.

DOR Pursues Innovative Enforcement Efforts and Expands Cooperative Partnerships with Other States

In FY90, DOR's enforcement staff brought in over half a billion dollars in delinquent tax collections. Despite overall revenue declines, delinquent tax collections in FY90 reached \$520 million — almost matching those of FY89, a year in which a substantial infusion of resources produced record-breaking results.

Despite significant attrition in its auditor and collector ranks, DOR conducted over 133,000 audits in FY90. At the same time, each DOR collector brought in, on average, \$1.7 million, as the many audits initiated in FY89 continued to work through the collection pipeline.

Finding new ways to collect delinquent tax dollars from those who do not comply with the law is key to an effective tax enforcement program. During FY90, for example, DOR's ongoing probe of foreign auto manufacturers reaped a \$9.1 million tax settlement from Mercedes-Benz of North America, Inc. — the largest Massachusetts tax settlement of its kind ever. As part of the settlement, Mercedes-Benz agreed to pay corporate taxes on its Massachusetts earnings as well as to file returns and pay taxes for all taxable periods since it began conducting business in the Commonwealth. Initiated by DOR's New York Audit Office in 1985, these investigations uncovered six automakers who failed to meet their Massachusetts tax requirements and have netted the Commonwealth nearly \$20 million in delinquent taxes.

FY90 also saw DOR's Criminal Investigations Bureau break new ground. Following a year-long investigation by DOR and the state Attorney General's Office, 15 individuals were indicted for failing to file or pay state taxes on a total of \$7 million in unreported income. The defendants included attorneys,

consultants, contractors, salespeople and factory workers from eight counties across the state. This investigation represents the Commonwealth's largest single group of tax indictments and included the first estate tax indictment in state history.

In FY90, DOR continued to expand its cooperative programs with other tax jurisdictions, bringing its total number of information exchange agreements with other states to 47. In an unprecedented partnership, the Department also signed an agreement with New York City allowing the exchange of tax information. This agreement will broaden DOR's ability to discover and collect delinquent taxes owed to the Commonwealth by New York individuals and firms while helping New York City recover revenue legitimately due it by Massachusetts-based taxpayers.

DOR Collects Nearly \$70 Million on Behalf of Families Receiving Aid to Families with Dependent Children

During FY90, DOR collected nearly \$70 million on behalf of families receiving Aid to Families with Dependent Children (AFDC), while collections for families not on AFDC topped \$107 million. Since assuming responsibility for the Commonwealth's Child Support Enforcement Program in July 1987, one of DOR's primary challenges has been to take over the financial management of all new AFDC and non-AFDC child support cases from the courts. DOR realized that goal during FY90 by undertaking collection and disbursement responsibility for all new cases.

At the same time, DOR is assuming responsibility for the 70,000 existing AFDC and non-AFDC cases which are currently spread out among 84 courts across the state and out-of-state child support agencies. To achieve this transfer, thousands of weekly payments and millions of dollars must be redirected from the courts and centralized within one collection and disbursement facility — a task which DOR expects to complete by the close of FY91.

The Family Support Act, which was enacted by Congress in 1988, established strict new timeframes for the processing of both AFDC and non-AFDC cases. During FY90, the Department began to develop the computer system that will enable DOR to meet these federal requirements for both managing cases and collecting and remitting payments more effectively.

Throughout the last fiscal year, the Department worked to make families who rely on child support aware of the various child support services available to them. DOR produced an informational guide for AFDC recipients, explaining their child support enforcement rights, and a brochure describing how to establish a child's paternity. In a third brochure, DOR detailed the rights and responsibilities of non-custodial parents who have been ordered by a court to pay child support.

DOR Intensifies its Fiscal Management Efforts to Help Local Communities

Throughout FY90, DOR provided prompt and practical guidance to Massachusetts cities and towns, as the impact of declining state revenues filtered down to the local level. In a climate that combined decreasing revenues for local aid with increasing fixed costs for municipal services, DOR moved quickly to avert widespread fiscal chaos among Massachusetts communities.

One of DOR's ongoing responsibilities is to determine local aid allocations and to process local aid distributions. During FY90, that task took on a new level of importance when the state's revenue shortfall resulted in delayed and reduced local aid payments. By carefully monitoring cash flow on a community by community basis and, in cooperation with the State Treasurer, making advance emergency payments to the most severely stricken communities, DOR helped prevent a municipal cash crisis that would have resulted in loan defaults and missed payrolls.

The Department also administered a \$20 million Emergency Assistance Fund established by the Legislature to soften the blow of local aid cuts. Priority was given to communities whose budgetary shortfalls were so severe as to result in a loss of essential services. After developing the application procedures and criteria, DOR allocated funds (based on severity of need) to 51 of the 102 communities that applied for assistance.

While this fund was created as a one-time reserve to cushion the most severe budget imbalances, DOR also helped communities take the necessary steps to restore long-term fiscal stability. These efforts included conducting budget management workshops, providing intensive technical assistance to communities literally on the brink of fiscal collapse, and helping develop and implement new legislation that would enable communities to increase revenues and achieve savings. With the passage of a local option provision allowing communities to institute quarterly tax billings, for example, cities and towns were able to improve cash flow, reduce borrowing costs and increase earnings.

The Department also expanded its role in the monitoring and oversight of county finances and budgets as part of new deeds excise legislation. The law raised the deeds excise to provide additional revenues to communities experiencing fiscal stress — particularly in operating jails and other correctional facilities.

In addition to helping communities counteract escalating cash flow and revenue problems, DOR continued to carry out its normal regulatory functions of setting tax rates and certifying property values. During the course of FY90, 1,855 local officials received training at 26 DOR courses, workshops and seminars statewide.

Legislative Review

An Act Relative to Certain Liens on Real Estate and Future Interests (St. 1989, c.205)

— This act provided that the inheritance tax lien charged by G.L.c.65 and by corresponding provisions of prior laws upon any real estate shall terminate 10 years after the date of death of the deceased. In the case of a lien imposed upon a future interest, said lien shall terminate 10 years after the right of possession or enjoyment accrues, unless, prior to such termination, the Commissioner of Revenue shall have commenced an action to enforce such lien and shall have recorded notice of such action in the registry of deeds for the district where the land upon which the lien is claimed lies, or in case of registered land, in the appropriate registry district.

An Act Making Appropriations for the Fiscal Year Nineteen Hundred and Ninety for the Maintenance of the Departments, Boards, Commissions, Institutions and Certain Activities of the Commonwealth for Interest, Sinking Fund and Serial Bond Requirements and for Certain Permanent Improvements (St. 1989, c.240)

— This act provided that every corporation that files a return may voluntarily contribute all or part of any refund to which it is entitled or may voluntarily add an amount on to any amount due to be credited to the Massachusetts Nongame Wildlife Fund. This act further provides that the Commissioner of Revenue shall annually report the total amount designated under this section to the State Treasurer who shall credit such amount, plus accrued interest, to the Nongame Wildlife Fund.

An Act Making Appropriations for the Fiscal Year Ending June Thirtieth, Nineteen Hundred and Eighty-Nine to Provide for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects (St. 1989, c.287) — This act contained certain taxation provisions that temporarily increased personal income tax rates, created a new class of income, and

revised S corporation taxation. This act included the following:

- The personal income tax rate was increased on certain Part B income for two years by imposing an additional tax of 0.375 percent for taxable years commencing in 1989 only, and an additional tax of 0.75 percent for taxable years commencing in 1990 only. The additional tax applied to all Part B income **except** Massachusetts bank interest, pension and annuity income, rental income from real estate, alimony, unemployment compensation, and IRA/Keogh distributions. These six categories of income were classified as Part C income and the tax on them remained at 5 percent;
- No change was made in the rate of tax on Part A income, which continued at 10 percent;
- The additional revenue accruing from the tax increase was earmarked for debt service payments attributable to the Commonwealth Liability Reduction Loan, Act of 1989 and the Medical Assistance Liability Loan, Act of 1989; and
- The taxation of S corporations was revised by allowing all federal S corporations to be Massachusetts S corporations for taxable years ending on or after December 31, 1989. This, in effect, removed the limitations placed on larger Massachusetts S corporations under Mass. St. 1988, c.202. If a Massachusetts S corporation has total receipts of \$6 million or more, it is subject to an additional excise on income at the corporate level of 3 percent (if total receipts are below \$9 million) or 4.5 percent (if total receipts are \$9 million or more). Corporate trusts that are federal S corporations were not granted Massachusetts S corporation status. Income would be taxed to the trust, and distributions to the beneficiaries of such trusts were exempted from the personal income tax.

An Act Requiring the Use of the Names of Both Spouses on Certain Documents and Communications (St. 1989, c.400) —

This act provided that the Department of Revenue not use a legal phrase as a substitute for the name of either a husband or wife in any communication, document or writing intended for use outside the Department.

An Act Relative to the Wage Reporting System (St. 1989, c.419) —

This act authorized the Commissioner to require employers having 2,500 employees or more, and having the capability to file their quarterly wage reports on machine-readable magnetic tape, to file such reports on magnetic tape.

An Act Authorizing the Waiver or Abatement of Interest and Penalty on Use Taxes Assessed upon Certain Out-of-State Nonbusiness Purchases (St. 1989, c.424)

— This act authorized the Commissioner, for good cause, to waive or abate interest and penalties usually required to be included in use tax assessments upon personal, nonbusiness goods purchased in Connecticut and Rhode Island by Massachusetts residents prior to June 1, 1988. This act:

- Applied only if the use tax assessments result directly from information obtained under the Tri-State Compact among Massachusetts, Connecticut and Rhode Island;
- Allowed applications for waiver or abatement of such interest to be filed on or before December 31, 1991, in addition to the time periods provided under G.L.c.62C, s.37;
- Provided that interest shall accrue upon such assessment not paid within ninety days following the date of the notice of assessment;
- Provided that the Commissioner's special authority to waive or abate interest or penalty charges on such assessments terminates on December 31, 1992; and

- Provided that no penalty shall be imposed upon such assessment if the assessment is paid within 90 days following the date of the notice of assessment.

An Act Further Regulating the Disclosure of Tax Information (St. 1989, c.439) —

This act contained several provisions that modify the prohibitions on the disclosure of tax information. This act:

- Clarified the Commissioner's authority to utilize taxpayer return information in notifying governmental agencies of the extent of tax delinquency so as to prevent regulatory or contract action in favor of such taxpayer or in aiding authorized private contractors to collect assigned delinquent taxes;
- Extended the Commissioner's authority to disclose, upon request, whether or not a taxpayer has filed any type of tax return, including business returns; and
- Set forth the confidentiality of internal standards, data and criteria used by the Department of Revenue in the conduct of its audit and compliance activities. The disclosure prohibition on such information is applicable if the Commissioner determines that disclosure would seriously impair assessment, collection or enforcement under the tax laws.

An Act Establishing the Budget Control and Reform Act of 1989 (St. 1989, c.653)

— This act contained certain taxation provisions that: required payments by bottlers and distributors of carbonated soft drinks, mineral water, beer and other malted beverages; established new rules for the issuance of certain business motor vehicle registration plates; and revised the collection process for the local motor vehicle excise.

Bottle Bill Provisions

The provisions regarding bottle deposits required that each bottler and distributor of carbonated soft drinks, mineral water, beer and other malted beverages establish a

separate trust fund for bottle refund deposits — the "Deposit Transaction Fund" — and make payments to the Department of Revenue of any "abandoned deposit amounts."

The law required that bottlers and distributors establish, as of January 1, 1990, a Deposit Transaction Fund that includes the refund values received in October, November and December of 1989. At the bottler's or distributor's option, this amount may be transferred from the fund maintained under the prior bottle law for the Alcoholic Beverage Control Commission. In addition, each month after December 31, 1989, the bottlers and distributors must deposit into their Deposit Transaction Funds the refund values received for nonreusable beverage containers sold in the Commonwealth.

Special Motor Vehicle Registration and Excise Provisions

These provisions substantially changed the law affecting vehicle registration plates issued to auto repair shops, owner-contractors and farmers as well as the taxation of such vehicles under the motor vehicle excise. Effective for the registration year starting January 1, 1991:

- The number of motor vehicles eligible for repair plates will be drastically reduced. Repair plates will only be used temporarily on customer vehicles in a repair establishment;
- Vehicles with repair plates will no longer be entitled to an exemption from the motor vehicle excise; and
- Vehicles of owner-contractors and farmers will be required to display a sticker issued by DOR as evidence of compliance with the sales tax law.

Local Motor Vehicle Excise Provisions

Local motor vehicle excises remaining unpaid on or after January 4, 1990 are subject to a revised collection process.

Continued nonpayment of the excise will result in nonrenewal of the vehicle's registration and the owner's driver's license. In addition, the excise was specifically fixed at \$25 per \$1,000 of value with no annual adjustment based on the three-year average of property tax rates.

Cherry Sheet Receipts for Cities, Towns and Regional School Districts—Fiscal Years 1986–1990

(in millions)

ITEM RECEIPTS

Cities and Towns

	FY86	FY87	FY88	FY89	FY90*	\$Change
REIMBURSEMENTS						
Loss of Taxes, all programs	\$ 32.7	\$ 34.8	\$ 17.9	\$ 19.4	\$ 19.4	\$ 0.0
Veterans' Benefits	11.7	12.5	9.0	11.3	10.9	(0.4)
Pensions to Retired Teachers	21.5	22.3	22.3	22.2	22.1	(0.1)
Urban Renewal, 3 programs	1.8	1.2	1.4	1.3	1.7	0.4
School Transportation, 2 programs	101.4	53.7	59.6	63.3	59.8	(3.5)
Public Libraries, 2 programs	8.9	14.5	14.4	14.7	15.3	0.6
School Construction & Repair	82.4	102.1	108.9	106.8	108.5	1.7
Racial Imbalance, 3 programs	20.2	18.7	28.6	26.2	24.8	(1.4)
School and Elderly Lunch	4.6	5.5	5.5	5.1	5.4	0.3
Highway & Transit, 2 programs	21.0	21.0	21.0	20.9	14.3	(6.6)
Other Programs	72.4	78.9	150.2	123.0	114.7	(8.3)
TOTAL REIMBURSEMENTS	\$ 378.6	\$ 365.2	\$ 438.8	\$ 414.2	\$ 396.9	\$ (17.3)
DISTRIBUTIONS						
Chapter 70	\$ 924.5	\$ 998.6	\$ 1,071.1	\$ 1,108.9	\$ 895.5	\$ (213.4)
Lottery, Beano, etc.	174.1	195.0	215.0	306.0	306.0	0.0
Additional Assistance	559.2	714.5	814.7	765.0	765.0	0.0
Highway Fund	21.8	23.2	23.5	24.7	24.0	(0.7)
Urban Redevelopment Excise	36.3	42.1	44.8	43.6	47.7	4.1
Boston Funding Loan Act	11.8	14.4	8.7	—	—	0.0
County Jail Grants	—	—	—	21.6	22.2	0.6
TOTAL DISTRIBUTIONS	\$1,727.7	\$1,987.8	\$2,177.8	\$2,269.8	\$2,060.4	\$ (209.4)
TOTAL RECEIPTS—Cities and Towns	\$2,106.3	\$2,353.0	\$2,616.6	\$2,684.0	\$2,457.3	\$ (226.7)

Regional School Districts

REIMBURSEMENTS

Regional School District Aid	\$ 70.4	\$ 77.5	\$ 88.3	\$ 99.2	\$ 102.3	\$ 3.1
School Transportation	23.9	25.5	27.4	29.6	29.5	(0.1)
School Construction and Repair	15.0	19.4	16.3	19.3	20.1	0.8
Other Programs	11.8	21.3	19.5	15.6	14.9	(0.7)

TOTAL REIMBURSEMENTS	\$ 121.1	\$ 143.7	\$ 151.5	\$ 163.7	\$ 166.8	\$ 3.1
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DISTRIBUTIONS

Chapter 70	\$ 107.5	\$ 105.8	\$ 107.8	\$ 109.9	\$ 113.3	\$ 3.4
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TOTAL RECEIPTS—Regions	\$ 228.6	\$ 249.5	\$ 259.3	\$ 273.6	\$ 280.1	\$ 6.5
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TOTAL DIRECT AID*	\$2,334.9	\$2,602.5	\$2,875.9	\$2,957.6	\$2,737.4	\$ (220.2)
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* FY86–89 figures are Actual Receipts, FY90 figures are Cherry Sheet Estimates.

The Taxes—Fiscal Year 1990

TYPE OF TAX	MEASURE	RATE ¹	RETURN DUE
Personal Income	Dividends, Capital Gains ² & Interest other than Mass. bank interest.	12.0%	On or before April 15 for calendar year filings. The 15th day of the 4th month for fiscal filings.
	Other income	5.95% ³	
Estimated Tax			Due quarterly on or before the 15th day of April, June, September and January.
Estate	Taxable estate (after expenses, debts, losses, exemptions, charitable and marital deductions)	5% to 16%	Within 9 months after the date of the decedent's death.
Alcoholic Beverages	Malt (31-gal. bbl.)	\$3.30	Monthly, on or before the 20th day of the month.
	Cider 3%–6% (wine gal.)	\$.03	
	Still wine 3%–6% (wine gal.)	\$.55	
	Sparkling wine (wine gal.)	\$.70	
	Alcoholic beverages 15% or less (wine gal.)	\$1.10	
	Alcoholic beverages more than 15%–50% (wine gal.)	\$4.05	
	Alcoholic beverages more than 50% (proof gal.)	\$4.05	
Cigarettes	20-Count package	\$.26	Monthly, on the 20th day of the month. Unclassified importers must file upon importation or acquisition.
	25-Count package	\$.325	
Deeds	Sales price (less mortgage assumed) of real estate	\$1.14 ⁴ per \$500	Monthly, on or before the 10th day of the month.
Motor Fuels	Gasoline and Diesel Fuel per gallon ⁵	15.5%	Monthly, on or before the 20th day of the month.
	Average wholesale price (17¢ minimum)		
	Propane, Liquefied Gas, etc. ⁵ (No minimum)	15.5%	
	Aviation (10¢ minimum)	7.5%	
	Jet Fuel (5¢ minimum)	5%	
Room Occupancy	Transient Room Occupancy	5.7%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$25,000—Monthly filings Over \$25,000—Monthly payments, Quarterly filings
	At local option, up to	4.0%	
Sales and Use Tax	Sale, rental or use of tangible personal property, including cigarettes. ⁶	5%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$100—Annual filing \$101–1,200—Quarterly filings \$1,201–25,000—Monthly filings Over \$25,000—Monthly payments, Quarterly filings

¹ Tax rates as of August 1, 1990.

² While capital gains are taxed at 12.0%, taxpayers can deduct 50% of net long-term capital gains, creating an effective tax rate of 6%.

³ For 1991 only, 6.25%.

⁴ \$2.28 from 7/1/89 to 6/30/92 except in Barnstable County, where the rate is \$1.71 from 7/1/89 to 6/30/92. Barnstable County levies an additional \$1.14 per \$500 as a county tax.

⁵ Rate is 15.5% of average wholesale price, with a 17¢ minimum. As of Jan. 1, 1991, 19.1% with a 21¢ minimum where applicable.

⁶ Includes telecommunications, certain fuel as of 9/1/90 and certain recreational, entertainment and other business services as of 3/6/91.

TYPE OF TAX	MEASURE	RATE	RETURN DUE
Sales Tax on Meals, Prepared Food and/or Alcoholic Beverages	All "restaurant" food and on-premise consumption of alcoholic beverages in any amount.	5%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$25,000—Monthly filings Over \$25,000—Monthly payments, Quarterly filings
Business Corporation	Net Income Tangible Property or Net Worth Minimum	9.5% ⁷ \$2.60 per \$1,000 \$456	15th day of third month after close of taxable year.
Estimated Tax	Liability in excess of \$1,000		Due quarterly as follows: 15th day of third month of taxable year—40% ⁸ 15th day of sixth month of taxable year—25% 15th day of ninth month of taxable year—25% 15th day of twelfth month of taxable year—10% ⁸
Security Corporation			
Regulated	Gross Income	0.33%	Same as business corporations.
Unregulated	Gross Income Minimum	1.32% \$228	
Commercial Bank and Thrift Institution	Net Income	12.54%	Same as business corporations.
Public Utilities	Net Income	6.5%	Same as business corporations.
Insurance Company			
Domestic Life	Premiums Mass. Net Investment Income	2.0% 14.0%	On or before March 15.
Foreign Life	Premiums	2.0%	
Domestic Casualty	Premiums Gross Investment Income	2.28% 1.0%	On or before March 15.
Foreign Casualty	Premiums	2.28%	
Ocean Marine	Underwriting Profit	5.7%	On or before May 15.
Club Alcoholic Beverages	Gross Receipts	0.57%	On or before April 15.
Motor Vehicle garaged outside Massachusetts	90% to 10% of Manufacturer's list price	\$25 per \$1,000	On or before thirty days from issuance of tax bill.

⁷ S corporations: 4.5% if total receipts \$9 million or more; 3% if total receipts are \$6 million or more but less than \$9 million.

⁸ 30% and 20% for corporations with less than 10 employees in its first full tax year.

Revenue Collections

Fiscal Years 1986–1990 (in thousands)

STATE TAXES COLLECTED BY DOR

	FY86	FY87	FY88	FY89	FY90	%Change
Tax on Personal Income						
TOTAL	\$ 3,628,493	\$ 3,995,649	\$ 3,984,746	\$ 4,286,696	\$ 4,465,226	4.2
Taxes on Business						
Corporations	\$ 802,558	\$ 814,082	\$ 771,806	\$ 887,059	\$ 698,408	(21.3)
Insurance Companies	187,896	215,071	241,226	294,585	265,453	(10.0)
Public Utilities	73,140	57,635	74,007	72,245	62,043	(14.1)
Commercial Banks	121,163	120,527	110,963	125,155	64,525	(48.4)
Savings Institutions	72,188	108,638	108,111	98,316	46,219	(53.0)
TOTAL	\$ 1,256,945	\$ 1,315,953	\$ 1,306,113	\$ 1,477,360	\$ 1,136,648	(23.1)
Taxes on Commodities Sold						
Motor Fuels	\$ 288,603	\$ 297,404	\$ 305,517	\$ 306,871	\$ 301,955	(1.6)
Cigarettes	173,264	170,626	168,479	158,626	150,769	(5.0)
Alcoholic Beverages	80,258	80,321	78,012	75,753	70,776	(6.6)
Sales & Use	1,452,092	1,600,004	1,733,313	1,787,063	1,660,519	(7.1)
Sales on Meals	258,108	265,750	287,780	296,874	295,948	(0.3)
TOTAL	\$ 2,252,325	\$ 2,414,105	\$ 2,573,101	\$ 2,625,187	\$ 2,479,967	(5.5)
Other Taxes						
Estate & Inheritance	\$ 210,714	\$ 223,084	\$ 254,701	\$ 258,560	\$ 276,447	6.9
Room Occupancy	37,086	39,724	50,222	57,896	56,626	(2.2)
Deeds	43,160	53,277	50,562	46,076	37,629	(18.3)
Club Alcoholic Beverage	387	372	423	555	848	52.8
Motor Vehicle	527	344	932	1,188	2,063	73.7
Savings Dep. Insurance/Mass. Housing Partnership	11,000	12,282	3,454	6,546	—	(100.0)
TOTAL	\$ 302,874	\$ 329,083	\$ 360,294	\$ 370,821	\$ 373,613	0.8
Total State Taxes Collected by DOR	\$ 7,440,638	\$ 8,054,790	\$ 8,224,255	\$ 8,760,065	\$ 8,455,454	(3.5)

**LOCAL TAXES COLLECTED BY DOR
ON BEHALF OF COMMUNITIES**

	FY86	FY87	FY88	FY89	FY90	%Change
Urban Redevelopment	\$ 36,536	\$ 42,207	\$ 44,196	\$ 43,706	\$ 45,761	4.7
Local Option Airplane Jet Fuel	11,375	13,223	12,477	13,129	13,252	0.9
Local Option Room Occupancy	10,786	23,157	31,155	35,112	37,613	7.1
Boston Excise Fund	12,053	14,086	6,601	—	—	NA

**Total Local Taxes Collected by DOR
on Behalf of Communities**

\$ 70,750	\$ 92,673	\$ 94,429	\$ 91,947	\$ 96,626	5.1
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OTHER REVENUE

Sav. Co-op Ins./Oil Haz. Material	\$ —	\$ 21,000	\$ —	\$ —	\$ —	NA
Utility & Insurance Assessments	3,751	3,558	7,059	4,743	3,388	(28.6)
Departmental Fees, Licenses, etc.	7,458	8,041	8,571	9,540	9,617	0.8
Commonwealth Liability Reduction Fund	—	—	—	—	444,502	NA
County Correction Fund—Deeds	—	—	—	—	4,813	NA
Abandoned Deposits—Bottle	—	—	—	—	8,350	NA

Total Other Revenue	\$ 11,209	\$ 32,599	\$ 15,630	\$ 14,283	\$ 470,670	3,195.3
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**STATE TAXES COLLECTED
BY OTHER AGENCIES**

Horse & Dog Racing	\$ 37,168	\$ 35,679	\$ 33,328	\$ 32,666	\$ 31,749	(2.8)
Beano	5,275	5,150	5,173	5,065	4,927	(2.7)
Raffles/Bazaars	1,078	1,207	1,265	1,248	1,357	8.7
Special Insurance Brokers	—	5,547	6,834	6,967	7,561	8.5
Re-emp. & Job Placement Fund	—	—	—	10,633	18,259	71.7

**Total State Taxes Collected
by Other Agencies**

\$ 43,521	\$ 47,583	\$ 46,600	\$ 56,579	\$ 63,853	12.9
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**TAXES ON PROPERTY COLLECTED BY
LOCAL GOVERNMENT**

Real Estate	\$ 3,141,323	\$ 3,376,401	\$ 3,656,391	\$ 3,991,502*	\$ 4,321,833	8.3
Personal Property	168,056	159,890	148,392	130,603	140,464	7.6
Motor Vehicles	241,863	224,708	266,925	337,232	314,879	(6.6)

**Total Taxes on Property Collected
by Local Government**

\$ 3,551,242	\$ 3,760,999	\$ 4,071,708	\$ 4,459,337	\$ 4,777,176	7.1
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TOTAL ALL TAXES	\$11,117,360	\$11,988,644	\$12,452,622	\$13,382,211	\$13,863,779	3.6
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Because of rounding, detail may not add to Totals.

*DOR has estimated the collections for the purpose of this comparison.

Offers in Final Settlement — Fiscal Year 1990

Under G. L. c. 62C, sec. 37A, the Commissioner of Revenue has the authority, under specific conditions, to accept less than full payment as a final settlement for a state tax liability. The statutory condition for such settlements is "serious doubt" as to collectibility of the tax due or the taxpayer's liability for it. The Commissioner must also determine that the taxpayer has acted without intent to defraud. The settlement must be recommended to the Commissioner by at least two deputy commissioners.

The written agreement, signed by all parties and including the reasons for settlement, is a public record. Any agreement in which the tax reduction is \$20,000 or more or the settlement is less than half the full liability must be reviewed by the Attorney General of the Commonwealth, who has the authority to reject it.

The law requires that a listing of all settlements entered into during the fiscal year be included in the Commissioner's annual report. In Fiscal Year 1990, 13 settlements were made. Ten were reviewed by the Attorney General. Thirty-five other offers for settlement were refused.

The cases approved were as follows:

NAME	TOTAL TAX, INT. & PEN.	AMOUNT IN SETTLEMENT	AMOUNT ABATED
Group Boston, Inc.	\$217,461	\$ 55,500	\$161,961
Estate of Felix Magolis	6,638	4,260	2,378
National Waste & Metal Company	14,216	12,000	2,216
Benjamin Seigal	55,366	5,428	49,938
CPT Corporation	65,469	19,728	45,742
Atlas Elevator Co., Inc.	294,728	55,000	239,728
Patricia A. Distefano	36,720	13,226	23,494
John & Shirley Lamondia	12,698	6,150	6,549
Carl A. Taylor	36,173	12,000	24,173
George & Verna Holst	67,309	40,000	27,309
James J. Wall, Jr.	43,458	18,000	25,458
Charles & Suzanne Blaser, d. b. /a Wilbraham Upholstering & Furniture Co.	28,376	8,000	20,376
Robert Schena	18,732	10,000	8,732
TOTAL	\$897,344	\$259,292	\$638,054

Because of rounding, detail may not add to Totals.

Collection Agencies — Fiscal Year 1990

Chapter 209 of the Acts of 1988 permits the Commissioner of Revenue to use private collection agencies to collect unpaid state taxes. The Commissioner is required to notify any taxpayer whose accounts are to be assigned to a collection agency at least 30 days beforehand.

The law requires that the Commissioner list all agencies with whom collection agreements exist, the amount of taxes collected and the amount of compensation paid in the Department's annual report. They are as follows:

CONTRACTOR	TOTAL COLLECTED	FEES PAID	NET TO DOR
<i>Capital Credit Corp.</i>	746,721	151,158	595,564
<i>Corliss Credit Services</i>	\$ 800,678	\$172,258	\$ 628,420
<i>GC Services Ltd. Ptshp.</i>	60,323	11,201	49,122
TOTAL	\$1,607,722	\$334,617	\$1,273,105

Because of rounding, detail may not add to Totals.

Resources

In addition to the instruction booklets that come with the major tax forms, the Department of Revenue (DOR) produces a number of publications on various state tax issues for taxpayers. These publications are available through DOR's Taxpayer Assistance Bureau unless otherwise noted.

Publications on the Department's child support enforcement services as well as on issues of interest to Massachusetts cities and towns also are available.

MASSTAX Guide

Contains seven volumes covering all state taxes, local property taxes and DOR administrative procedures and is available for purchase through West Publishing Company or for reference at many law libraries and the State House Library in Boston.

A Taxpayer's Guide to the Department of Revenue

Describes the services available to taxpayers through DOR, offers detailed information on DOR's administrative process — including audit and collection activity — and explains the various appeal routes open to taxpayers.

A Guide to Taxpayer Assistance

Describes all of the main services and special programs offered by DOR's Taxpayer Assistance Bureau.

A Guide to Filing Your Massachusetts Income Tax Forms

Is updated annually to offer detailed instructions and examples for taxpayers with relatively complicated tax situations.

Should You Be Paying Estimated Taxes?

Outlines filing and payment responsibilities for taxpayers who do not have state taxes automatically withheld each pay period.

A Guide to Sales and Use Tax

Includes information on what is taxable, sample forms and a tear-out tax collection schedule for vendors.

Should You Be Paying Use Tax?

Details the responsibilities of individuals and businesses for paying use tax on purchases made outside of the Commonwealth.

A Guide to Estate Taxes

Covers all aspects of the Commonwealth's estate tax laws, including definitions, rates and differences from federal law and is available from the Estate Tax Bureau.

Small Business Information Packet

Contains registration materials, tax information, sample forms and information from other state agencies.

Taxpayer Advisory Bulletin

Is published quarterly with updates on legislative, legal and Departmental decisions and is available at most libraries or through DOR's Publications Office.

DOR Directives, Technical Information Releases (TIRs), Rulings and Regulations

Are prepared on general tax issues as well as specific taxpayer inquiries and are published in the MASSTAX Guide or are available from the Rulings and Regulations Bureau.

Kids Come First: A Guide to Child Support Enforcement Services

Provides an overview of services DOR can offer families seeking child support for their children and is available through DOR's Child Support Enforcement Division (DOR/CSE).

Withholding Wages For Child Support: An Employer's Guide

Describes employers' responsibilities for withholding wages for child support and is available through DOR/CSE.

Paternity Establishment: Protect Your Child's Rights

Explains how DOR can help custodial parents establish paternity for their children and is available through DOR/CSE.

Everything You Always Wanted to Know About Levy Limits...But Were Afraid to Ask: A Primer on Proposition 2½

Discusses the basic provisions of Proposition 2½, focusing especially on those aspects of the law that have caused the most confusion to local officials and is available through DOR's Division of Local Services.

Additional reports and publications on local tax and fiscal issues are available through Local Services.

TOLL-FREE IN MASSACHUSETTS: 1-800-392-6089

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Fitchburg, MA 01420
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Greenfield, MA 01301
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Springfield, MA 01103
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Massachusetts

Department of

Revenue

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GOVERNMENT DOCUMENTS
COLLECTION

APR 9 1991

**Commonwealth of
Massachusetts
Department of
Revenue**

University of Massachusetts
Depository Copy

Annual Report

Fiscal Year 1991

William F. Weld
Governor

Peter Nessen
Secretary for Administration
and Finance

Mitchell Adams
Commissioner of
Revenue

**To the Honorable William F. Weld, Governor of the Commonwealth, and the
Honorable Members of the General Court of Massachusetts:**

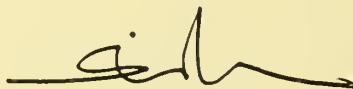
I am pleased to submit to you the FY91 Annual Report for the Department of Revenue (DOR). When I was appointed Commissioner in January of 1991, I was immediately impressed by the professionalism and dedication of the Department's employees — in many ways, a tribute to the leadership of two prior revenue commissioners, Stephen Kidder and Ira Jackson. I came to DOR intent on reinforcing those areas that are our strengths, as well as on searching out areas where we could improve. Over the past year, it has become increasingly clear to me that giving taxpayers the tools they need to comply with the law is just as important as aggressively pursuing those who fail to pay what they owe on time and in full. With that in mind, one of my primary goals has been to ensure that DOR provides both taxpayers and tax practitioners with more legal guidance on complicated areas of the law. We've also worked hard to balance our mandate to enforce the law with our obligation to provide taxpayers with a system of tax administration that is reasonable, efficient and fair.

FY91 was a difficult time for public and private sector enterprises, as almost every organization worked to adapt to the continuing difficult economic environment. At DOR, we faced staff reductions during the height of the income tax filing season. With fewer staff members to process returns and answer taxpayer inquiries, we were still able to process most timely-filed refund returns within 30 days. As always, we encouraged early filing and provided prompt updates on tax law changes. At the same time, we worked hard to give cities and towns the guidance and support necessary for local officials to aggressively manage their available resources, and we completed the massive process of centralizing the Commonwealth's child support collection functions.

As state governments continue to battle budget deficits, it is clear that we need to find new ways of addressing the needs of our citizens. On the tax administration front, that means expanding our collaborative partnership with taxpayers, practitioners and members of the business community, reevaluating the effectiveness of our operations here at DOR, and where appropriate, eliminating cumbersome administrative procedures. It also means working with local officials to design innovative yet sound approaches to local budgeting and management. Finally, it means finding new ways of maximizing child support collections in a time when the economic realities of unemployment and slower wage growth make collection of payments more difficult and yet even more critical.

This is, admittedly, a challenging agenda. I believe, however, that by drawing on the collective talent and energy of the many employees who have earned DOR its national reputation for excellence, we can continue to improve the way we do business. As a team, I have every confidence in our ability to be even more responsive to the varied and changing needs of the citizens who rely on our services.

Sincerely,



Mitchell Adams
Commissioner of Revenue

Tax Administration

Each year, DOR collects and accounts for over \$9 billion in revenue from 22 different tax types — a responsibility that demands both strict enforcement of the Commonwealth's tax laws and efficient management of over four million taxpayer accounts. At the same time, DOR recognizes taxpayers as valued customers and strives to provide them with quality service. In practice, that means being responsive to taxpayer inquiries about the status of their accounts, providing clear explanations when asked why the Department issued a bill, and generally explaining how the Department administers tax laws and making sure taxpayers understand their rights under the law.

In the past, the guiding principle for DOR tax administrators has been to maximize the flow of revenues to the Commonwealth and to promote voluntary compliance with the law through aggressive enforcement. In FY91, however, the Department placed more emphasis on providing the tools and systems taxpayers need to comply with the law up front, thus reducing the time and expense of correcting mistakes after the fact or pursuing taxpayers who are not in compliance with the Commonwealth's tax laws.

One key FY91 initiative addressed the process by which taxpayers and DOR reach agreement on disputed tax issues. The resolution of such disputes was identified by tax practitioners as the area in which DOR most needed to reengineer its business process. The Department developed a proposal designed to simplify its dispute resolution process while maintaining the integrity and impartiality of the current system. The goal is to resolve tax controversies, in appropriate cases, at the earliest stage of the administrative process by giving DOR's Appeal and Review Bureau the authority to settle cases before they reach litigation. This autonomy would allow Appeal and Review to settle cases at both the pre- and post-assessment stages, thus saving time and money for DOR and taxpayers alike. To ensure that its proposal met the needs of the business community for a less costly means of dispute resolution, DOR

invited practitioners to comment before submitting the proposal to the Legislature.

One of the most important responsibilities of any tax agency is educating taxpayers about important tax law changes. In July 1990, Massachusetts passed a tax bill that changed the tax rates on personal income and motor fuels and mandated a new sales tax on services. Because the income and gas tax provisions became effective almost immediately, the Department mailed notices to affected motor fuels taxpayers informing them of the new tax rates within a week of the bill's signing, and, within two weeks, sent new withholding tables to all employers statewide.

While the gas and income tax portions of the tax bill merely increased rates on existing taxes, the legislation also extended the Commonwealth's 5 percent sales tax to a number of business services and eliminated sales tax exemptions for certain goods — marking the most comprehensive changes to Massachusetts sales tax law since it was first implemented in 1966. Although most of the sales tax on services provisions of the tax bill were repealed, DOR still had to work with taxpayers for implementation of the tax by the scheduled effective date of December 1, 1990.

The Department acted quickly to identify the population of new taxpayers, provide those taxpayers with the necessary information to comply with their new responsibilities and develop detailed regulations under a tight timeframe. As part of this effort, the Department developed over 20 public written statements, including Emergency Regulations, Technical Information Releases and Factsheets, to prepare for implementation of the tax. In order to ensure that the many new rules did not impose unnecessary burdens on businesses, DOR met with business groups and practitioners throughout the state who were likely to be affected by the service tax. Although the rules were ultimately unnecessary, the partnership with the affected businesses was a critical ingredient in creating a reasonable regulatory framework.

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An equally important component of effective tax administration is ensuring that taxpayer records are as up-to-date and free of errors as possible. Each year, DOR is responsible for the monitoring of millions of financial transactions. With the MASSTAX computer system first fully operational in FY91, the Department was able to access more data and update accounts faster and more efficiently than ever before.

Although technological enhancements couldn't entirely compensate for the staff reductions DOR had to implement in response to budget constraints, the new system did help minimize some of the delays that might have resulted from having fewer staff to process returns during the 1991 filing season. In the future, these system enhancements will enable DOR to help ensure compliance with tax laws by identifying delinquencies more promptly and to provide more responsive service to taxpayers by processing abatements and crediting payments more quickly.

FY91 also saw DOR make new strides in its efforts to curb abuses of various public entitlement programs, such as welfare and unemployment insurance. As the state agency responsible for administering the Commonwealth's Wage Reporting System, the Department matches the information applicants provide agencies when applying for benefits against current wage data employers supply to DOR. By installing improved computer software, requiring employers of a certain size to submit employee wage information on magnetic tape in FY91 and reducing the barriers to filing on tape through adoption of federal standards, DOR was able to provide user agencies with more timely and accurate data. For example, the Department received over 1 million requests for wage data in FY91 — a 32 percent increase over FY90.

Historically, the Department has long supported the Commonwealth's adoption of a formal Taxpayer Bill of Rights that describes the benefits and protections available to Massachusetts taxpayers. In August 1990, the Massachusetts Legislature passed a Taxpayer

Bill of Rights that codified into law many administrative processes already in place at DOR, including: establishing a Problem Resolution Office and Offices of Internal Audit and Internal Affairs; prohibiting evaluations of collections staff based on individual production quotas; and requiring DOR to waive penalties that result from erroneous written advice to taxpayers by DOR employees.

To make sure taxpayers were made aware of these rights, DOR updated its comprehensive guide to the Department in FY91. This publication, *A Guide to the Department of Revenue: Your Taxpayer Bill of Rights*, details the rights and obligations of both taxpayers and the Department during the audit, collection, abatement and appeals processes and offers basic instructions about how to solve a problem, get information, appeal a DOR finding or lodge a complaint. The Department also publishes a variety of guides on specific taxes including estate tax, sales and use tax, and estimated income tax. In FY91, DOR released a new publication, *A Guide to Withholding of Taxes on Wages*, that explains how employers collect and remit withholding and explains which forms employees must file with their employers to ensure that the proper amount of tax is being withheld. A complete list of these guides as well as other Departmental publications and resources appears on the inside back cover of this annual report.

Local Services

For over a decade, DOR's Division of Local Services has worked to provide sound fiscal oversight for the Commonwealth's 351 cities and towns. The Division has traditionally ensured that Massachusetts communities comply with municipal tax and finance laws by providing such services as certifying local property tax rates, distributing state aid and training local officials in budget management. In recent years, however, decreasing state aid and increasing costs for municipal services have produced serious revenue constraints that threaten fiscal stability. As a result, Local Services has assumed a more proactive role as financial adviser and partner to Massachusetts cities and towns.

The overwhelming issue for local communities in FY91 was the delay in receiving \$1.1 billion in local aid payments scheduled for distribution on June 29, 1990. Having already budgeted these funds when the Local Aid Receipts were released in August 1989, communities needed this money to finance their operating and capital expenses. Local Services moved quickly to identify the most vulnerable communities and, as a result of the Division's day-to-day management, local governments steered clear of missed payrolls and loan defaults despite the fact scheduled state aid was not fully distributed until mid-August.

Since 1985, certain cities have secured special legislation to establish partnerships with the Commonwealth to resolve financial emergencies. These partnerships, known as Finance Control Boards, represent a collaboration between state agencies and community officials. The goal of the Boards is to assist troubled cities immediately while working with city officials on long-term plans to revamp municipal fiscal management and balance budgets. In FY91, Local Services assisted control boards established for Brockton, Lawrence and Chelsea.

The Division also offers consulting services to local governments spanning a range of financial management topics. During FY91, municipal finance experts performed revenue and expenditure forecasts for five communities, reviewed the financial offices of 10 communities and performed 28 analyses at the request of communities, including service costing studies, capital improvement programs and school regionalization fiscal impact studies.

In addition to the ongoing training offered to hundreds of local officials each year in seminars across the state, the Division offered several special workshops to those involved in municipal finance. Responding to the growing concern about investment safety, for example, the Division conducted the "Prudent Investment Workshop" at several locations statewide. Local Services also released a new publication, *Proposition 2½ Referenda Questions: Requirements and Procedures*, to acquaint local officials with the referendum process established by Proposition 2½.

Child Support Enforcement

Each year, DOR's Child Support Enforcement Division (CSE) helps nearly a quarter of a million children and their families receive critical child support services, including obtaining court orders for child support, collecting current and/or past due support payments, establishing paternity for children born out of wedlock and locating absent noncustodial parents.

Ensuring that children receive regular, reliable support from their noncustodial parents was especially challenging during FY91 when rising unemployment and slower wage growth made it increasingly difficult for people to meet their child support obligations. At the same time that the economic realities of the recession made collection of payments more difficult, CSE was also experiencing the largest growth ever in its overall caseload due to the completion of court conversion that year.

Since 1988, CSE had been centralizing all child support collection and case tracking functions within DOR. Previously, these cases were handled by 84 courts throughout the state. While establishing one central collection facility will ultimately make distribution of child support a simpler and more efficient process, in FY91, it meant that CSE assumed responsibility for the day-to-day management of over 55,000 non-AFDC cases — a more than three-fold increase over the division's FY90 non-AFDC caseload. Together, the division's AFDC and non-AFDC caseload increased by 44 percent.

Nevertheless, during FY91, CSE secured \$118.4 million on behalf of child support recipients — \$67 million for families who receive Aid to Families With Dependent Children and \$51.4 million for non-AFDC families. By the end of the fiscal year, CSE's efforts had helped over 8,000 families leave the welfare rolls, saving the state approximately \$20 million in AFDC and Medicaid expenditures.

Legislative Review

An Act Establishing the Economic Stability and Recovery Compact (St. 1990, c. 121, as amended by St. 1990, c. 150) — This act contained certain taxation provisions that: changed the tax rates on various types of personal income; subjected a number of services to the 5 percent sales tax; eliminated sales tax exemptions for certain goods; increased the tax rate on motor fuels; established a tax on aviation fuel; made permanent the corporation excise tax provisions included in Chapter 39 of the Acts of 1989; and provided for a Taxpayer Bill of Rights.

Personal Income Tax Provisions

- The tax rate imposed on Part A income (interest, dividends and capital gain net income) was increased from 10 percent to 12 percent for the 1990 calendar year and thereafter.
- The tax rate imposed on Part B income (wage, salary and partnership income) was increased from 5.75 percent to 5.95 percent for taxable years beginning in 1990, and to 6.25 percent for taxable years beginning in 1991. For taxable years beginning in 1992 and thereafter, the rate was reduced to 5.95 percent.
- The tax rate imposed on Part C income (unemployment compensation, alimony, Massachusetts bank interest, rental income from real estate, pensions and annuity income and IRA/Keogh distributions) was increased from 5 percent to 5.95 percent for the 1990 calendar year. (The separate category of Part C income was eliminated, as scheduled, for 1991 and thereafter taxed as Part B income.)
- The act disallowed a federal deduction taking effect in 1990 for social security taxes paid by self-employed taxpayers because it substantially overlapped with the existing Massachusetts social security deduction.
- The act allowed individual taxpayers filing separate returns or married taxpayers filing joint returns to contribute to the Massachusetts AIDS Fund on their state income tax returns.

- The name of the Nongame Wildlife Fund was changed to the Natural Heritage and Endangered Species Fund.

Corporate Excise Estimated Tax Provisions

- The act extended beyond 1990 and made permanent amendments made by Chapter 39 of the Acts of 1989 to the corporate excise estimated tax provisions. The amendments included: revised installment percentages, an elimination of the requirement to file a Declaration of Estimated Tax, and new provisions for calculating underpayment penalties.
- The act also amended underpayment penalty provisions to allow a corporation to make estimated payments based on its previous year's tax liability only if it had a previous year's tax liability and its taxable year was 12 months. This provision applied to taxable years beginning on or after January 1, 1991.

Sales and Use Tax Provisions

- Sales of the following services to individuals and businesses were subject to the 5 percent sales tax, effective December 1, 1990. The effective date of the following provisions was initially delayed, and ultimately, the provisions were repealed (see St. 1991, c. 4):
 - Admissions to entertainment events with a single event sales price of over \$30
 - Amusement and recreation services (including memberships) with a single event sales price of over \$30 (with an exclusion for such services that were sold by a governmental or nonprofit organization on either a membership or other non-single event basis to individuals under 19 years old)
 - Flight instruction
 - Landscaping services (with an exclusion for services provided to individuals where the sales price was \$100 or less; otherwise the entire sales price was taxable)
- Sales of the following categories of services to businesses only were subject to the 5

percent sales tax, effective December 1, 1990. The effective date of the following provisions was initially delayed, and ultimately, the provisions were repealed (see St. 1991, c. 4):

- Accounting, auditing and bookkeeping services; architectural services; engineering services; and legal services (with an annual exemption for purchases totaling \$20,000 per category)
 - Automobile repair services
 - Commercial art and graphic design services
 - Commercial photography services
 - Computer maintenance and repair services
 - Court reporting and stenographic services
 - Credit reporting and collection services
 - Detective, guard and armored car services
 - Land, water and aerial surveying services
 - Miscellaneous business services, including many services not listed here (excluding advertising services, auctioneers and notaries public)
 - Miscellaneous repair services to businesses, including repairs of business machinery, equipment, furniture and other tangible personal property
 - Nonresidential building services, such as building cleaning and maintenance; custodial care; pest control
 - Photographic studio services
 - Piped-in music
 - Security systems services
- Sales of telecommunications services were subject to the 5 percent sales tax, effective September 1, 1990 for all nonresidential users. For residential customers, the sales tax on telecommunications services was effective for bills issued on or after October 1, 1990; therefore, September services billed in October were taxable. There was an exemption of up to \$30 per month for local residential telecommunications services billed on a recurring basis or for message unit charges.
- The act eliminated a number of sales tax exemptions and taxed the sales of the following transactions as of September 1, 1990:
- Nonresidential electricity, gas, steam or heating fuel (with an exemption for industrial use when at least 75 percent of the electricity, gas, steam or heating fuel used at a particular location is used for manufacturing or heating the manufacturing area)
 - Goods used in the operation of commercial radio and television transmission and the publishing of newspapers
- Businesses with five or fewer employees were exempt from paying the sales tax when purchasing gas, steam, electricity or heating fuel as well as all other services except telecommunications.
- The act exempted the sale of vessels used exclusively to provide scheduled commuter passenger service. In addition, the sale of certain goods used in the repair of such vessels was also exempt.
- The act repealed the trade-in allowance used in the computation of the tax upon the sale or use of boats and airplanes, effective December 1, 1990.
- The act gave the Commissioner more flexibility in determining frequency of use tax returns, such as annually filed returns, in addition to the current provision for monthly or quarterly filings.
- The act authorized vendors who have paid sales tax on accounts that are later determined to be worthless, to file a claim for reimbursement. This claim is filed on or before April 15 and covers the amount of sales and use tax paid over on accounts determined to be worthless in the prior calendar year.
- Motor/Aviation Fuels Tax Provisions*
- Effective July 28, 1990, the gasoline and special fuels tax rate increased from 10

to 15.5 percent of the average wholesale price, exclusive of federal and state motor fuels taxes. The minimum tax was \$0.17 cents (formerly \$0.11 cents) per gallon.

- Effective July 28, 1990, an inventory tax of \$0.06 cents per gallon was imposed on existing tax-paid stocks of gasoline and special fuels.
- Effective January 1, 1991, the motor fuels tax rate was increased to 19.1 percent of the average wholesale price per gallon, exclusive of federal and state motor fuel taxes, with a minimum of \$0.21 cents per gallon.
- Effective January 1, 1991, an inventory tax of \$0.04 cents per gallon was imposed on existing tax-paid stocks of gasoline and special fuels.
- Effective July 28, 1990, aviation fuel, other than jet fuel, became subject to the motor fuels tax at a rate equal to 7.5 percent of the average wholesale price, exclusive of federal and state motor fuels taxes, with a minimum of \$0.10 cents per gallon.
- Effective July 28, 1990, an inventory tax of \$0.06 cents per gallon was imposed on existing tax-paid stocks of aviation fuel, except jet fuel.

Taxpayer Bill of Rights

- The act mandated that DOR, in its administration of tax laws, be objective, impartial, professional and ethical in nature without regard to political concerns and with necessarily high standards of conduct.
- The act required the Commissioner of Revenue to submit annually to the legislature a nontechnical statement of taxpayer rights during an audit, taxpayer appeal rights and DOR's enforcement procedures and to distribute or make available such statements to taxpayers in any contact with taxpayers in person or by notice.

With the exception of proceedings under an administrative summons, a summary of

such rights must be provided to taxpayers at or before an in-person interview to collect or determine a tax.

- The act instructed the Commissioner to make reasonable regulations to guarantee prompt refunds of overpayments, prompt abatement decisions and issuance of refunds on abatement decisions within 30 days of such decisions.
- The act prohibited DOR from using tax enforcement records as the sole criteria for evaluating employees involved in tax collection activities or using such records to enforce or suggest individual production quotas.
- The act codified the requirement that the Commissioner waive or abate any portion of any penalty or addition to tax assessed attributable to erroneous written advice from DOR, provided that the written advice was reasonably relied on by the taxpayer in response to a specific written request of the taxpayer and that the portion of the penalty or addition to tax did not result from a failure by the taxpayer to provide adequate or accurate information.
- The act codified the Commissioner's authority to enter into payment agreements with taxpayers that are binding to both parties unless the Commissioner determines that the collection of the tax is in jeopardy, the taxpayer misses a payment under the agreement, the taxpayer becomes delinquent in current filings or other taxes, the taxpayer does not provide full and accurate data upon request, or the Commissioner believes that the taxpayer's financial condition has significantly changed. (The Commissioner must provide a written 30-day notice of his intent to terminate the agreement and his reasons for doing so.)
- The act formalized the right of a taxpayer, with the exception of an administrative summons, to have representation at any point in his or her dealings with DOR.

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- The act granted the Commissioner more flexibility in organizing DOR but required that DOR have a Division of Inspectional Services and a Problem Resolution Office in addition to the existing statutory components for Local Services and Child Support Enforcement.

An Act Relative to the Revenues of the Commonwealth (St. 1990 c. 265) — This act delayed the effective date for imposing the sales tax on professional services as well as a number of other business and recreational services until March 6, 1991. The delay did not affect the sales tax on telecommunication services, utilities and energy (including nonresidential electricity, gas, steam and heating fuel) that took effect on September 1, 1990.

- The act required that any vendor who had collected, in advance, any sales or use tax on sales of services affected by this delay make reasonable efforts to return such sales or use taxes to any purchasers of such services.
- The act provided a transition provision for the sale of amusement, recreation and entertainment services. The provision stipulated that the sales or use tax shall not apply to sales of amusement, recreation and entertainment services where payment was received pursuant to a billing issued in the regular course of business, before March 6, 1991, or in the case of a vendor who did not issue such billings where the payment for such services was received by the vendor before March 6, 1991. This transition rule did not apply to any such amusement, recreation or entertainment services or portion thereof that would be performed on or after January 1, 1992.
- The act delayed until March 6, 1991 the removal of the exemption from the sales and use tax for the value of trade-in allowance on boats and airplanes.

An Act Relative to the Employment Security Law (St. 1990, c. 154) — This act allowed unpaid Department of Employment and Train-

ing (DET) liabilities to be applied against the debtor's Massachusetts personal income tax refund after any set-off for unpaid state tax liabilities. DET was also authorized to obtain tax return information to locate delinquent employers or benefit recipients who have been overpaid.

An Act Providing for Fair and Efficient Child Support Enforcement in the Commonwealth (St. 1990, c. 437, amending G.L. c. 209C, s.17) — This act changed the standard for ordering blood tests in a paternity case. A court is now required to order blood testing in all paternity cases as long as a "proper showing" is made. A proper showing is made by an affidavit of the mother or the putative father alleging sexual intercourse during the probable period of conception. Under the prior version of the statute, an order for blood testing was at the court's discretion.

An Act Repealing the Implementation of the Sales and Use Tax on Services (St. 1991, c. 4) — This act repealed the sales tax on services on March 8, 1991. Any business that collected sales tax on these services before the law was repealed was to make every effort to refund the tax to affected purchasers. The repeal on professional services did not affect the sales tax on telecommunication services, utilities and energy that took effect on September 1, 1990. The act also restored the trade-in allowance used in the computation of the tax upon the sale of boats and airplanes.

An Act Establishing Emergency Fiscal Controls For Fiscal Year Nineteen Hundred and Ninety-One (St. 1991, c. 6) — This act contained a provision that changed the method for calculating the use tax due on casual and isolated sales of motor vehicles. The tax is now calculated on the sales price or the average trade-in value listed in the National Automobile Dealers Association used car guide, whichever is greater. Prior to the law change, the tax was generally calculated on the sales price.

An Act Relative to Extending Tax Filing and Payment Deadlines for Those Serving in the

Persian Gulf During Operation Desert Shield or Desert Storm (St. 1991, c. 7) —

This act, applicable to Operation Desert Shield and Desert Storm personnel, contained administrative provisions that extended the time to file and pay 1990 Massachusetts income taxes and suspended all tax return examinations and actions to collect back taxes during the extension period.

The act is generally similar to the federal treatment of Desert Shield and Desert Storm personnel with the major exception that Massachusetts does not adopt the federal provision to pay interest on certain tax overpayments retroactive to the due date of the return, regardless of the extension period.

- The act allowed military and support personnel who served in the Persian Gulf area on or after August 2, 1990 an automatic extension to file 1990 Massachusetts income tax returns. The extension period was for 180 days after leaving the Persian Gulf area plus the number of days remaining in the filing period of January 1 through April 15, 1991 from the time the taxpayer entered the Persian Gulf area. Therefore, personnel entering the Persian Gulf before January 1, 1991 were allowed a 285-day extension.
- The act also extended the filing deadline for any period, up to five years if in the U.S., of continuous hospitalization as a result of injuries sustained in the Persian Gulf and for any time during which the taxpayer was missing in action or a prisoner of war. The taxpayer does not "leave" the Persian Gulf area for purposes of the 180-day extension until the hospitalization, missing in action or prisoner of war status has ended.
- The act mandated that no interest or penalties be charged during the extension period on taxes due in 1990.
- The act suspended all tax return examinations and actions to collect back taxes, without interest or penalties, during the extension period.
- The act also applied, with the exception of any period due to hospitalization, to spouses of military and support personnel if a joint return was filed.

The Taxes — Fiscal Year 1991

TYPE OF TAX	MEASURE	RATE ¹	RETURN DUE
Personal Income	Dividends, Capital Gains ² & Interest other than Mass. bank interest	12.0%	On or before April 15 for calendar year filings. The 15th day of the 4th month for fiscal filings.
	Other income	6.25% ³	
Estimated Tax	Liability in excess of \$200		Due quarterly on or before the 15th day of April, June, September and January.
Estate	Taxable estate (after expenses, debts, losses, exemptions, charitable and marital deductions)	5% to 16%	Within 9 months after the date of the decedent's death.
Alcoholic Beverages	Malt (31-gal. bbl.)	\$3.30	Monthly, on or before the 20th day of the month.
	Cider 3%–6% (wine gal.)	\$.03	
	Still wine 3%–6% (wine gal.)	\$.55	
	Sparkling wine (wine gal.)	\$.70	
	Alcoholic beverages 15% or less (wine gal.)	\$1.10	
	Alcoholic beverages more than 15%–50% (wine gal.)	\$4.05	
	Alcoholic beverages more than 50% (proof gal.)	\$4.05	
Cigarettes	20-Count package	\$.26	Monthly, on the 20th day of the month. Unclassified importers must file upon importation or acquisition.
	25-Count package	\$.325	
Deeds	Sales price (less mortgage assumed) of real estate	\$1.14 ⁴ per \$500	Monthly, on or before the 10th day of the month.
Motor Fuels	Gasoline and Diesel Fuel per gallon ⁵	19.1%	Monthly, on or before the 20th day of the month.
	Average wholesale price (21¢ minimum)		
	Propane, Liquefied Gas, etc ⁵ (No minimum)	19.1%	
	Aviation (10¢ minimum)	7.5%	
	Jet Fuel (5¢ minimum)	5%	
Room Occupancy	Transient Room Occupancy	5.7%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$25,000—Monthly filings Over \$25,000—Monthly payments, Quarterly filings
	At local option, up to	4.0%	
Sales and Use Tax	Sale, rental or use of tangible personal property, including cigarettes and telecommunication services ⁶	5%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$100—Annual filing \$101–1,200—Quarterly filings \$1,201–25,000—Monthly filings Over \$25,000—Monthly payments, Quarterly filings

¹ Tax rates as of August 1, 1991.

² While capital gains are taxed at 12.0%, taxpayers can deduct 50% of net long-term capital gains, creating an effective tax rate of 6%.

³ 6.25% for 1991, 5.95% for 1992 and thereafter.

⁴ \$2.28 from 7-1-89 to 6-30-92 except in Barnstable County, where the rate is \$1.71 from 7-1-89 to 6-30-92. Barnstable County levies an additional \$1.14 per \$500 as a county tax.

⁵ As of Jan. 1, 1991, rate is 19.1% of average wholesale price, with a 21¢ minimum.

⁶ Includes telecommunications and certain fuel as of 9-1-90.

TYPE OF TAX	MEASURE	RATE	RETURN DUE
Sales Tax on Meals, Prepared Food and/or Alcoholic Beverages	All "restaurant" food and on-premise consumption of alcoholic beverages in any amount.	5%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$25,000—Monthly filings Over \$25,000—Monthly payments, Quarterly filings
Business Corporation	Net Income Tangible Property or Net Worth Minimum	9.5% ⁷ \$2.60 per \$1,000 \$456	15th day of third month after close of taxable year.
Estimated Tax	Liability in excess of \$1,000		Due quarterly as follows: 15th day of third month of taxable year—40% ⁸ 15th day of sixth month of taxable year—25% 15th day of ninth month of taxable year—25% 15th day of twelfth month of taxable year—10% ⁸
Security Corporation Regulated Unregulated	Gross Income Gross Income Minimum	0.33% 1.32% \$228	Same as business corporations.
Commercial Bank and Thrift Institution	Net Income	12.54%	Same as business corporations.
Public Utilities	Net Income	6.5%	Same as business corporations.
Insurance Company Domestic Life Foreign Life	Premiums Mass. Net Investment Income Premiums	2.0% 14.0% 2.0%	On or before March 15.
Domestic Casualty	Premiums Gross Investment Income	2.28% 1.0%	On or before March 15.
Foreign Casualty Ocean Marine	Premiums Underwriting Profit	2.28% 5.7%	On or before May 15.
Club Alcoholic Beverages	Gross Receipts	0.57%	On or before April 15.
Motor Vehicle garaged outside Massachusetts	90% to 10% of Manufacturer's list price	\$25 per \$1,000	On or before thirty days from issuance of tax bill.

⁷ S corporations: 4.5% if total receipts \$9 million or more; 3% if total receipts are \$6 million or more but less than \$9 million.

⁸ 30% and 20% for corporations with less than 10 employees in its first full tax year.

Revenue Collections

Fiscal Years 1987-1991 *(in thousands)*

STATE TAXES COLLECTED BY DOR

	FY87	FY88	FY89	FY90	FY91	%Change
Tax on Personal Income						
TOTAL	\$ 3,995,649	\$ 3,984,746	\$ 4,286,696	\$ 4,465,226	\$ 5,045,090	13.0
Taxes on Business						
Corporations	\$ 814,082	\$ 771,806	\$ 887,059	\$ 698,408	\$ 612,244	(12.3)
Insurance Companies	215,071	241,226	294,585	265,453	260,705	(1.8)
Public Utilities	57,635	74,007	72,245	62,043	59,274	(4.5)
Commercial Banks	120,527	110,963	125,155	64,525	27,418	(57.5)
Savings Institutions	108,638	108,111	98,316	46,219	20,633	(55.4)
TOTAL	\$ 1,315,953	\$ 1,306,113	\$ 1,477,360	\$ 1,136,649	\$ 980,273	(13.8)
Taxes on Commodities Sold						
Motor Fuels	\$ 297,404	\$ 305,517	\$ 306,871	\$ 301,955	\$ 464,222	53.7
Cigarettes	170,626	168,479	158,626	150,769	144,433	(4.2)
Alcoholic Beverages	80,321	78,012	75,753	70,776	66,154	(6.5)
Sales & Use*	1,600,004	1,733,313	1,787,063	1,660,519	1,617,728	(2.6)
Sales on Meals	265,750	287,780	296,874	295,948	291,710	(1.4)
TOTAL	\$ 2,414,105	\$ 2,573,101	\$ 2,625,187	\$ 2,479,966	\$ 2,584,236	4.2
Other Taxes						
Estate & Inheritance	\$ 223,084	\$ 254,701	\$ 258,560	\$ 276,447	\$ 249,516	(9.7)
Room Occupancy Excise	39,724	50,222	57,896	56,626	55,983	(1.1)
Deeds Excise	53,277	50,562	46,076	37,629	30,211	(19.7)
Club Alcoholic Beverage Excise	372	423	555	848	1,564	84.5
Motor Vehicle Excise	344	932	1,188	2,063	616	(70.1)
Savings Dep. Insurance/Mass. Housing Partnership	12,282	3,454	6,546	—	—	NA
TOTAL	\$ 329,083	\$ 360,294	\$ 370,821	\$ 373,613	\$ 337,890	(9.6)
Total State Taxes Collected by DOR	\$ 8,054,790	\$ 8,224,255	\$ 8,760,065	\$ 8,455,454	\$ 8,947,490	5.8

* Includes sales and use tax on motor vehicles.

**LOCAL TAXES COLLECTED BY DOR
ON BEHALF OF COMMUNITIES**

	FY87	FY88	FY89	FY90	FY91	%Change
Urban Redevelopment	\$ 42,207	\$ 44,196	\$ 43,706	\$ 45,761	\$ 45,624	(0.3)
Local Option Airplane Jet Fuel	13,223	12,477	13,129	13,252	13,333	0.6
Local Option Room Occupancy	23,157	31,155	35,112	37,613	36,328	(3.4)
Boston Excise Fund	14,086	6,601	—	—	—	NA

**Total Local Taxes Collected by DOR
on Behalf of Communities**

\$ 92,673	\$ 94,429	\$ 91,947	\$ 96,625	\$ 95,285	(1.4)
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OTHER REVENUE

Sav. Co-op Ins./Oil Haz. Material	\$ 21,000	\$ —	\$ —	\$ —	\$ —	NA
Utility & Insurance Assessments	3,558	7,059	4,743	3,388	7,801	130.3
Departmental Fees, Licenses, etc.	8,041	8,571	9,540	9,496	9,534	0.4
Commonwealth Liability Reduction Fund	—	—	—	444,502	298,297	(32.9)
County Correction Fund—Deeds	—	—	—	4,813	4,378	(9.0)
Abandoned Deposits—Bottle	—	—	—	8,350	22,156	165.4

Total Other Revenue	\$ 32,599	\$ 15,630	\$ 14,283	\$ 470,548	\$ 342,166	(27.3)
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**STATE TAXES COLLECTED
BY OTHER AGENCIES**

Horse & Dog Racing	\$ 35,679	\$ 33,328	\$ 32,666	\$ 31,749	\$ 27,124	(14.6)
Beano	5,150	5,173	5,065	4,927	4,908	(0.4)
Raffles/Bazaars	1,207	1,265	1,259	1,384	1,187	(14.2)
Special Insurance Brokers	5,547	6,835	6,967	7,561	7,153	(5.4)
Re-emp. & Job Placement Fund	—	—	10,633	18,259	7,123	(61.0)

**Total State Taxes Collected
by Other Agencies**

\$ 47,583	\$ 46,600	\$ 56,590	\$ 63,880	\$ 47,495	(25.6)
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**TAXES ON PROPERTY COLLECTED BY
LOCAL GOVERNMENT**

Real Estate	\$ 3,376,401	\$ 3,652,378	\$ 3,935,820	\$ 4,324,092	\$ 4,602,881*	6.4
Personal Property	159,890	148,392	130,603	140,541	157,985	12.4
Motor Vehicles	224,708	266,925	337,252	284,704	281,539	(1.1)

**Total Taxes on Property Collected
by Local Government**

\$ 3,760,999	\$ 4,067,695	\$ 4,403,675	\$ 4,749,337	\$ 5,042,405	6.2
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TOTAL ALL TAXES	\$11,988,644	\$12,448,609	\$13,326,560	\$13,835,845	\$14,474,841	4.6
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Because of rounding, detail may not add to Totals.

* DOR has estimated the collections for the purpose of this comparison.

Cherry Sheet Receipts for Cities, Towns and Regional School Districts — Fiscal Years 1987–1991

(in millions)

ITEM RECEIPTS

<i>Cities and Towns</i>	<i>FY87</i>	<i>FY88</i>	<i>FY89</i>	<i>FY90</i>	<i>FY91*</i>	<i>FY90-91 \$Change</i>
REIMBURSEMENTS						
Loss of Taxes, all programs	\$ 34.8	\$ 17.9	\$ 18.0	\$ 19.0	\$ 19.3	\$ 0.3
Veterans' Benefits	11.2	11.7	11.2	10.8	10.3	(0.5)
Pensions to Retired Teachers	22.3	22.3	22.4	26.3	23.7	(2.6)
Urban Renewal, 3 programs	1.2	1.4	2.0	1.9	1.4	(0.5)
School Transportation, 2 programs	53.7	59.6	63.4	59.7	56.2	(3.5)
Public Libraries, 2 programs	14.5	14.4	14.8	14.9	15.3	0.4
School Construction & Repair	102.1	108.9	106.8	105.4	111.5	6.1
Racial Imbalance, 3 programs	18.7	28.6	26.3	23.4	23.6	0.2
School and Elderly Lunch	5.5	5.5	6.2	6.0	5.4	(0.6)
Highway & Transit, 2 programs	21.0	21.0	20.9	14.3	—	(14.3)
Other Programs	78.9	150.2	129.7	113.9	110.0	(3.9)
TOTAL REIMBURSEMENTS	\$ 363.9	\$ 441.5	\$ 421.7	\$ 395.7	\$ 376.7	\$ (19.0)
DISTRIBUTIONS						
Chapter 70	\$ 998.6	\$ 1,071.1	\$ 1,108.9	\$ 1,105.5	\$ 859.6	\$ (245.9)
Lottery, Beano, etc.	195.0	215.0	306.0	306.0	306.0	0.0
Additional Assistance	714.5	814.7	765.0	765.0	734.6	(30.4)
Highway Fund	23.2	23.5	24.7	23.9	—	(23.9)
Urban Redevelopment Excise	42.1	44.8	43.6	47.2	42.8	(4.4)
Boston Funding Loan Act	14.4	8.7	—	—	—	0.0
County Jail Grants	—	—	21.6	22.2	21.6	(0.6)
TOTAL DISTRIBUTIONS	\$1,987.8	\$2,177.8	\$2,269.7	\$2,269.7	\$1,964.6	\$ (305.1)
TOTAL RECEIPTS—Cities and Towns	\$2,351.7	\$2,619.3	\$2,691.4	\$2,665.4	\$2,341.3	\$ (324.1)
Regional School Districts						
REIMBURSEMENTS						
Regional School District Aid	\$ 77.5	\$ 88.3	\$ 99.2	\$ 102.4	\$ 98.4	\$ (4.0)
School Transportation	25.5	27.4	29.6	29.7	28.4	(1.3)
School Construction and Repair	19.4	16.3	19.3	20.0	18.8	(1.2)
Other Programs	21.3	19.5	17.6	15.9	14.2	(1.7)
TOTAL REIMBURSEMENTS	\$ 143.7	\$ 151.5	\$ 165.7	\$ 168.0	\$ 159.8	\$ (8.2)
DISTRIBUTIONS						
Chapter 70	\$ 105.8	\$ 107.8	\$ 109.9	\$ 113.3	\$ 108.8	\$ (4.5)
TOTAL RECEIPTS—Regions	\$ 249.5	\$ 259.3	\$ 275.6	\$ 281.3	\$ 268.6	\$ (12.7)
TOTAL DIRECT AID*	\$2,601.2	\$2,878.6	\$2,967.1	\$2,946.7	\$2,609.9	\$ (336.8)

*FY87–90 figures are Actual Receipts, FY91 figures are Cherry Sheet Estimates.

Offers in Final Settlement — Fiscal Year 1991

Under G. L. c. 62C, sec. 37A, the Commissioner of Revenue has the authority, under specific conditions, to accept less than full payment as a final settlement for a state tax liability. The statutory condition for such settlements is "serious doubt" as to collectibility of the tax due or the taxpayer's liability for it. The Commissioner must also determine that the taxpayer has acted without intent to defraud. The settlement must be recommended to the Commissioner by at least two deputy commissioners.

The written agreement, signed by all parties and including the reasons for settlement, is a public record. In cases where the liability is reduced by more than half, or \$20,000 or more, the Attorney General of the Commonwealth must review the settlement and has the authority to object to it.

The law requires that a listing of all settlements entered into during the fiscal year be included in the Commissioner's annual report. In Fiscal Year 1991, 11 settlements were made. Six were reviewed by the Attorney General. The Department rejected 137 other offers.

The cases approved were as follows:

NAME	TOTAL TAX, INT. & PEN.	AMOUNT IN SETTLEMENT	AMOUNT ABATED
Estate of Louis Epstein	\$ 12,576	\$ 2,662	\$ 9,914
Estate of Edward B. Lunn	43,535	35,812	7,723
Edward H. LaRocca d/b/a A & A Beauty Supply Co.	209,834	100,000	109,834
Ronald Trout	26,096	7,000	19,096
Carol Leonhart Harvey	6,222	3,650	2,572
Bruce A. Smith	4,785	2,365	2,420
Bradford C. Weston, III	16,692	9,000	7,692
Nathan C. Weston	16,704	9,000	7,704
Joseph M. McMath, Responsible Person for Yankee Trader Seafood, Inc.	10,171	6,308	3,863
George T. Brennan, Responsible Person for Music First, Inc.	27,897	10,000	17,897
Nassau Furniture Co., Inc.	276,005	79,498	196,507
TOTAL	\$650,517	\$265,295	\$385,222

Because of rounding, detail may not add to Totals.

Collection Agencies — Fiscal Year 1991

Chapter 209 of the Acts of 1988 permits the Commissioner of Revenue to use private collection agencies to collect unpaid state taxes. The Commissioner is required to notify all taxpayers whose accounts are to be assigned to a collection agency at least 30 days beforehand.

The law requires that the Commissioner list all agencies with whom collection agreements exist, the amount of taxes collected and the amount of compensation paid in the Department's annual report. They are as follows:

CONTRACTOR	TOTAL COLLECTED	FEES PAID	NET TO DOR
<i>Capital Credit Corp.</i>	\$1,959,430	\$404,164	\$1,555,266
<i>The Master Collectors, Inc.</i>	1,025,891	238,412	787,479
<i>Financial Collection Agency, Inc.</i>	361,888	83,234	278,654
<i>GC Services, Ltd. Partnership</i>	11,467	2,123	9,344
TOTAL	\$3,358,676	\$727,934	\$2,630,742

Because of rounding, detail may not add to Totals.

Resources

In addition to the instruction booklets that come with the major tax forms, the Department of Revenue (DOR) produces a number of publications on various state tax issues for taxpayers. These publications are available through DOR's Taxpayer Assistance Bureau (TPA) unless otherwise noted.

Publications on the Department's child support enforcement services as well as on issues of interest to Massachusetts cities and towns also are available.

MASSTAX Guide

Contains five volumes covering all state taxes, local property taxes and DOR administrative procedures and is available for purchase through West Publishing Company or for reference at many law libraries and the State House Library in Boston.

A Guide to the Department of Revenue: Your Taxpayer Bill of Rights

Describes the services available to taxpayers through DOR, details the protections and benefits contained in the Massachusetts Taxpayer Bill of Rights and spells out the rights and obligations of both taxpayers and the Department during the audit, collection, abatement and appeals processes.

A Guide to Taxpayer Assistance

Describes all of the main services and special programs offered by DOR's Taxpayer Assistance Bureau.

A Guide to Filing Your Massachusetts Income Tax Forms

Is updated annually to offer detailed instructions and examples for taxpayers with relatively complicated tax situations.

A Guide to Withholding of Taxes on Wages

Explains how employers collect and remit withholding to the Commonwealth as well as which forms employees must file with their employers to ensure that the proper amount of tax is being withheld.

Should You Be Paying Estimated Taxes?

Outlines filing and payment responsibilities for taxpayers who do not have state taxes automatically withheld each pay period.

A Guide to Sales and Use Tax

Includes information on what is taxable, sample forms and a tear-out tax collection schedule for vendors.

Should You Be Paying Use Tax?

Details the responsibilities of individuals and businesses for paying use tax on purchases made outside of the Commonwealth.

A Guide to Estate Taxes

Covers all aspects of the Commonwealth's estate tax laws, including definitions, rates and differences from federal law; it is available from the Estate Tax Bureau and TPA.

Small Business Information Packet

Contains registration materials, tax information, sample forms and information from other state agencies.

Taxpayer Advisory Bulletin

Is published quarterly with updates on legislative, legal and Departmental decisions and is available at most libraries or through DOR's Publications Office.

DOR Regulations, Technical Information Releases (TIRs), Directives and Rulings

Are prepared on general tax issues as well as specific taxpayer inquiries and are published in the MASSTAX Guide or are available from the Rulings and Regulations Bureau.

Kids Come First: A Guide to Child Support Enforcement Services

Provides an overview of services DOR can offer families seeking child support for their children and is available through DOR's Child Support Enforcement Division (DOR/CSE).

Withholding Wages For Child Support: An Employer's Guide

Describes employers' responsibilities for withholding wages for child support and is available through DOR/CSE.

Paternity Establishment: Protect Your Child's Rights

Explains how DOR can help custodial parents establish paternity for their children and is available through DOR/CSE.

Everything You Always Wanted to Know About Levy Limits ... But Were Afraid to Ask: A Primer on Proposition 2½

Discusses the basic provisions of Proposition 2½, focusing especially on those aspects of the law that have caused the most confusion to local officials and is available through DOR's Division of Local Services.

Additional reports and publications on local tax and fiscal issues are available through Local Services.

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Massachusetts
Department of
Revenue Offices**

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Commonwealth of
Massachusetts
Department of
Revenue

Annual Report

Fiscal Year 1992

GOVERNMENT DOCUMENTS
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William F. Weld
Governor

Peter Nessen
Secretary for Administration
and Finance

Mitchell Adams
Commissioner of
Revenue



THEORY OF THE EARTH

BY J. H. VAN DER KAMPT

LECTURE NOTES

OF THE

UNIVERSITY OF AMSTERDAM

1890

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Legislative Review Fiscal Year 1992

An Act Making Appropriations for the Fiscal Year Nineteen Hundred and Ninety-Two for the Maintenance of the Departments, Boards, Commissions, Institutions and Certain Activities of the Commonwealth, for Interest, Sinking Fund and Serial Bond Requirements and for Certain Permanent Improvements (St. 1991, c. 138)

— This act contains certain taxation provisions that: revise the calculation of the cost to wholesalers under the cigarette excise; establish new rules for furnishing information on child support arrearages to credit reporting agencies; and revise the requirements for disclosing the names of tax delinquents. The new act:

- Requires that all direct costs attributable to the receiving, stamping, handling, storing, sales and delivery of cigarettes be included in the calculation of the cost to the wholesaler under the cigarette excise.
- Revises the provisions that allow consumer credit reporting agencies to request a list of all persons who owe child support in excess of a certain dollar amount by lowering the dollar threshold of arrearages from \$1,000 to \$500 and by allowing the Commissioner of Revenue to request the compilation of such a list.
- Revises the provisions that provide for the disclosure of a list of all taxpayers who owe taxes above a certain dollar amount by increasing the dollar threshold of taxes due from \$5,000 to \$25,000 and by repealing the requirement that the Commissioner of Revenue issue such a list annually.

An Act Making Appropriations for the Fiscal Year Ending June Thirtieth, Nineteen Hundred and Ninety-Two to Provide for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects (St. 1991, c. 176)

— This act contains a provision that creates a research and development credit for domestic and foreign corporations. The new credit:

- Closely parallels the federal research and development credit under section 41 of the Internal Revenue Code.

- Equals the sum of 10 percent of incremental qualified research expenses plus 15 percent of incremental basic research payments and allows only research conducted in Massachusetts to qualify for the credit.
- Is limited to the first \$25,000 of excise plus 75 percent of any excise in excess of \$25,000 and cannot reduce the minimum excise of \$456.
- Allows a 15-year carryover for any portion of the credit that exceeds a corporation's excise and also allows an unlimited carryover for any portion of the credit that is disallowed under the 75 percent limitation.
- Applies to expenditures incurred on or after January 1, 1991.

An Act Relative to the Issuance, Use and Enforcement of General Registrations and General Registration Number Plates Issued by the Registrar of Motor Vehicles (St. 1991, c. 489)

— This act contains provisions which revise the special general registration and number plate laws. The new act:

- Requires that each vehicle registered under a general registration or number plate, such as those vehicles used for business purposes by repairmen, automobile dealers, farmers and owner/contractors, carry a sticker or decal showing payment of sales or use tax in compliance with G.L. c. 64H or 64I.
- Requires that a voucher be carried on the person of any operator of such vehicle with a copy of the voucher available for inspections on the dealer's premises.
- Provides a monetary penalty for false statements made in applying for special plates.

An Act Relative to the Voluntary Dissolution of a Corporation (St. 1991, c. 529)

— This act removes the requirement that a certificate of good standing be obtained from the Commissioner of Revenue prior to the voluntary dissolution of a corporation.



Note: Taxpayers and practitioners should be aware, however, that certificates of good standing continue to be required in order to reinstate corporations that have been involuntarily dissolved.

An Act Relative to Emergency Educational Assistance (St. 1991, c. 493) — This act contains provisions that provide additional monies to certain qualifying schools to supplement their fiscal 1992 budgets. The new act:

- Provides for a one-time, emergency distribution of \$30 million to local and regional school districts and county agricultural schools.
- Appoints DOR's Division of Local Services, in consultation with the Massachusetts Department of Education, to administer the distribution of these funds.
- Specifies that, in order to qualify for this assistance, a school must meet at least one of the following three criteria: a decline in per-pupil spending from the preceding school year; regular educational classrooms with 35 or more students; or shortages of textbooks and other instructional materials.
- Requires that each school receiving emergency assistance repay to the Commonwealth 50 percent of the amount received in equal installments over the ensuing five years, but allows a school to be exempted from this repayment provision for any year in which its school aid does not increase by at least the amount of the scheduled repayment.

An Act Making Appropriations for the Fiscal Year Ending June 30th, 1992 to Provide for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects (St. 1992, c. 23) — This act allows the Commissioner of Revenue and Registrar of Motor Vehicles to agree to base the sales tax on used cars on sales prices other than those listed in the National Automobile Dealers Association (NADA) Guide. Under the act, the Commissioner and the Registrar may jointly

agree to adopt other value guides. In addition, the Commissioner may promulgate regulations allowing the acceptance of lower values based on the condition of the motor vehicle at the time of the sale.

Cherry Sheet Receipts for Cities, Towns and Regional School Districts — Fiscal Years 1988–1992

(in millions)

ITEM RECEIPTS	FY88	FY89	FY90	FY91	FY92	FY91-92 \$Change
CITIES AND TOWNS						
<i>Reimbursements</i>						
Loss of Taxes, all programs	\$ 17.9	\$ 18.0	\$ 19.0	\$ 18.5	\$ 19.4	\$ 0.9
Veterans' Benefits	11.7	11.2	10.8	11.6	12.8	1.2
Pensions to Retired Teachers	22.3	22.4	26.3	25.7	26.4	0.7
Urban Renewal, 3 programs	1.4	2.0	1.9	1.4	1.2	(0.2)
School Transportation, 2 programs	59.6	63.4	59.7	56.2	56.2	0.0
Public Libraries, 2 programs	14.4	14.8	14.9	15.2	15.3	0.1
School Construction & Repair	108.9	106.8	105.4	109.5	123.1	13.6
Racial Imbalance, 3 programs	28.6	26.3	23.4	23.6	23.6	0.0
School and Elderly Lunch	5.5	6.2	6.0	5.6	4.5	(1.1)
Highway & Transit, 2 programs	21.0	20.9	14.3	—	—	0.0
Other Programs	150.2	129.7	113.9	110.1	101.7	(8.4)
TOTAL REIMBURSEMENTS	\$ 441.5	\$ 421.7	\$ 395.7	\$ 377.4	\$ 384.2	\$ 6.8
<i>Distributions</i>						
Chapter 70	\$1,071.1	\$1,108.9	\$1,105.5	\$ 859.6	\$ 789.3	\$ (70.3)
Lottery, Beano, etc.	215.0	306.0	306.0	306.0	306.0	0.0
Additional Assistance	814.7	765.0	765.0	735.9	475.3	(260.6)
Highway Fund	23.5	24.7	23.9	—	78.8	78.8
Urban Redevelopment Excise	44.8	43.6	47.2	43.5	—	(43.5)
Boston Funding Loan Act	8.7	—	—	—	—	0.0
County Jail Grants	—	21.6	22.2	21.6	21.6	0.0
TOTAL DISTRIBUTIONS	\$2,177.8	\$2,269.7	\$2,269.7	\$1,966.6	\$1,671.0	\$ (295.6)
Total Receipts — Cities and Towns	\$2,619.3	\$2,691.4	\$2,665.4	\$2,344.0	\$2,055.2	\$ (288.8)
REGIONAL SCHOOL DISTRICTS						
<i>Reimbursements</i>						
Regional School District Aid	\$ 88.3	\$ 99.2	\$ 102.4	\$ 98.4	\$ 98.6	\$ 0.2
School Transportation	27.4	29.6	29.7	28.5	28.0	(0.5)
School Construction and Repair	16.3	19.3	20.0	18.6	21.2	2.6
Other Programs	19.5	17.6	15.9	14.9	13.3	(1.6)
TOTAL REIMBURSEMENTS	\$ 151.5	\$ 165.7	\$ 168.0	\$ 160.4	\$ 161.1	\$ 0.7
<i>Distributions</i>						
Chapter 70	\$ 107.8	\$ 109.9	\$ 113.3	\$ 108.8	\$ 108.8	\$ 0.0
Total Receipts — Regions	\$ 259.3	\$ 275.6	\$ 281.3	\$ 269.2	\$ 269.9	\$ 0.7
TOTAL DIRECT AID	\$2,878.6	\$2,967.1	\$2,946.7	\$2,613.2	\$2,325.1	\$ (288.1)

The Taxes — Fiscal Year 1992

TYPE OF TAX	MEASURE	RATE ¹	RETURN DUE
Personal Income	Dividends, Capital Gains ² & Interest other than Mass. bank interest Other income	12.0% 6.25% ³	On or before April 15 for calendar year filings. The 15th day of the 4th month for fiscal filings.
Estimated Tax	Liability in excess of \$200		Due quarterly on or before the 15th day of April, June, September and January.
Estate	Taxable estate (after expenses, debts, losses, exemptions, charitable and marital deductions)	5% to 16%	Within 9 months after the date of the decedent's death.
Alcoholic Beverages	Malt (31-gal. bbl.) Cider 3%-6% (wine gal.) Still wine 3%-6% (wine gal.) Sparkling wine (wine gal.) Alcoholic beverages 15% or less (wine gal.) Alcoholic beverages more than 15%-50% (wine gal.) Alcoholic beverages more than 50% (proof gal.) Alcohol sold in containers of one gallon or less	\$3.30 \$.03 \$.55 \$.70 \$1.10 \$4.05 \$4.05 \$4.05	Monthly, on or before the 20th day of the month.
Cigarettes	20-Count package 25-Count package	\$.26 \$.325	Monthly, on the 20th day of the month. Unclassified importers must file upon importation or acquisition.
Deeds	Sales price (less mortgage assumed) of real estate	\$1.14 ⁴ per \$500	Monthly, on or before the 10th day of the month.
Motor Fuels	Gasoline and Diesel Fuel per gallon ⁵ Average wholesale price (21¢ minimum) Propane, Liquefied Gas, etc. ⁵ (No minimum) Aviation (10¢ minimum) Jet Fuel (5¢ minimum)	19.1% 19.1% 7.5% 5%	Monthly, on or before the 20th day of the month.
Room Occupancy	Transient Room Occupancy At local option, up to	5.7% 4.0%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$25,000 — Monthly filings Over \$25,000 — Monthly payments, Quarterly filings
Sales and Use Tax	Sale, rental or use of tangible personal property, including cigarettes and telecommunication services ⁶	5%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$100 — Annual filing \$101-1,200 — Quarterly filings \$1,201-25,000 — Monthly filings Over \$25,000 — Monthly payments, Quarterly filings

¹ Tax rates as of August 1, 1991.

² While capital gains are taxed at 12.0%, taxpayers can deduct 50% of net long-term capital gains, creating an effective tax rate of 6%.

³ 6.25% for 1991, 5.95% for 1992 and thereafter

⁴ \$2.28 from 7/1/89 to 6/30/92 except in Barnstable County, where the rate is \$1.71 from 7/1/89 to 6/30/92. Barnstable County levies an additional \$1.14 per \$500 as a county tax

⁵ As of Jan 1, 1991, rate is 19.1% of average wholesale price, with a 21¢ minimum.

⁶ Includes telecommunications and certain fuel as of 9/1/90.

TYPE OF TAX	MEASURE	RATE	RETURN DUE
Sales Tax on Meals, Prepared Food and/or Alcoholic Beverages	All "restaurant" food and on-premise consumption of alcoholic beverages in any amount.	5%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$25,000 — Monthly filings Over \$25,000 — Monthly payments, Quarterly filings
Business Corporation	Net Income Tangible Property or Net Worth Minimum	9.5% ⁷ \$2.60 per \$1,000 \$456	15th day of third month after close of taxable year.
Estimated Tax	Liability in excess of \$1,000		Due quarterly as follows: 15th day of third month of taxable year — 40% ⁸ 15th day of sixth month of taxable year — 25% 15th day of ninth month of taxable year — 25% 15th day of twelfth month of taxable year — 10% ⁸
Security Corporation			
Regulated	Gross Income	0.33%	Same as business corporations.
Unregulated	Gross Income	1.32%	
	Minimum	\$228	
Commercial Bank and Thrift Institution	Net Income	12.54%	Same as business corporations.
Public Utilities	Net Income	6.5%	Same as business corporations.
Insurance Company			
Domestic Life	Premiums	2.0%	On or before March 15.
	Mass. Net Investment Income	14.0%	
Foreign Life	Premiums	2.0%	
Domestic Casualty	Premiums	2.28%	On or before March 15.
	Gross Investment Income	1.0%	
Foreign Casualty	Premiums	2.28%	On or before May 15.
Ocean Marine	Underwriting Profit	5.7%	
Club Alcoholic Beverages	Gross Receipts	0.57%	On or before April 15.
Motor Vehicle garaged outside Massachusetts	90% to 10% of Manufacturer's list price	\$25 per \$1,000	On or before thirty days from issuance of tax bill.

⁷ S corporations: 4.5% if total receipts \$9 million or more; 3% if total receipts are \$6 million or more but less than \$9 million.

⁸ 30% and 20% for corporations with fewer than 10 employees in its first full tax year.

Revenue Collections

Fiscal Years 1988-1992 (in thousands)

	FY88	FY89	FY90	FY91	FY92	%Change
STATE TAXES COLLECTED BY DOR						
Tax on Personal Income						
TOTAL	\$ 3,984,746	\$ 4,286,696	\$ 4,465,226	\$ 5,045,091	\$ 5,336,957	5.8
Taxes on Business						
Corporations	\$ 771,806	\$ 887,059	\$ 698,408	\$ 612,244	\$ 643,755	5.1
Insurance Companies	241,226	294,585	265,453	260,705	277,102	6.3
Public Utilities	74,007	72,245	62,043	59,274	52,870	(10.8)
Commercial Banks	110,963	125,155	64,525	27,418	17,622	(35.7)
Savings Institutions	108,111	98,316	46,219	20,633	42,534	106.1
TOTAL	\$ 1,306,113	\$ 1,477,360	\$ 1,136,649	\$ 980,273	\$ 1,033,883	5.5
Taxes on Commodities Sold						
Motor Fuels	\$ 305,517	\$ 306,871	\$ 301,955	\$ 464,222	\$ 541,068	16.6
Cigarettes	168,479	158,626	150,769	144,423	139,856	(3.2)
Alcoholic Beverages	78,012	75,753	70,776	66,154	63,547	(3.9)
Sales & Use*	1,733,313	1,787,063	1,660,519	1,617,727	1,682,319	4.0
Sales on Meals	287,780	296,874	295,948	291,710	296,335	1.6
TOTAL	\$ 2,573,101	\$ 2,625,187	\$ 2,479,966	\$ 2,584,236	\$ 2,723,126	5.4
Other Taxes						
Estate & Inheritance	\$ 254,701	\$ 258,560	\$ 276,447	\$ 249,516	\$ 260,215	4.3
Room Occupancy Excise	50,222	57,896	56,626	55,983	55,864	(0.2)
Deeds Excise	50,562	46,076	37,629	30,211	32,443	7.4
Club Alcoholic Beverage Excise	423	555	848	1,564	1,128	(27.9)
Motor Vehicle Excise	932	1,188	2,063	616	195	(68.4)
Savings Dep. Insurance/Mass. Housing Partnership	3,454	6,546	—	—	—	—
TOTAL	\$ 360,294	\$ 370,821	\$ 373,613	\$ 337,890	\$ 349,845	3.5
Total State Taxes Collected by DOR	\$ 8,224,255	\$ 8,760,065	\$ 8,455,454	\$ 8,947,490	\$ 9,443,810	5.5

*Includes sales and use tax on motor vehicles.

	FY88	FY89	FY90	FY91	FY92	%Change
LOCAL TAXES COLLECTED BY DOR ON BEHALF OF COMMUNITIES						
Urban Redevelopment	\$ 44,196	\$ 43,706	\$ 45,761	\$ 45,624	\$ 45,319	(0.7)
Local Option Airplane Jet Fuel	12,477	13,129	13,252	13,333	11,714	(12.1)
Local Option Room Occupancy	31,155	35,112	37,613	36,328	39,475	8.7
Boston Excise Fund	6,601	—	—	—	—	NA
Total Local Taxes Collected by DOR on Behalf of Communities	\$ 94,429	\$ 91,947	\$ 96,625	\$ 95,285	\$ 96,508	1.3
OTHER REVENUE						
Sav. Co-op Ins./Oil Haz. Material	\$ —	\$ —	\$ —	\$ —	\$ —	NA
Utility & Insurance Assessments	7,059	4,743	3,388	7,801	4,487	(42.5)
Departmental Fees, Licenses, etc.	8,571	9,540	9,496	9,534	10,011	5.0
Commonwealth Liability Reduction Fund	—	—	444,502	298,297	—	NA
County Correction Fund — Deeds	—	—	4,813	4,378	4,835	10.4
Abandoned Deposits — Bottle	—	—	8,350	22,156	16,811	(24.1)
Total Other Revenue	\$ 15,630	\$ 14,283	\$ 470,548	\$ 342,166	\$ 36,143	(89.4)
STATE TAXES COLLECTED BY OTHER AGENCIES						
Horse & Dog Racing	\$ 33,328	\$ 32,666	\$ 31,749	\$ 27,478	\$ 26,089	(5.1)
Beano and Boxing	5,173	5,065	4,954	4,929	4,888	(0.8)
Raffles/Bazaars	1,265	1,259	1,357	1,187	1,222	2.9
Special Insurance Brokers	6,835	6,967	7,561	7,090	7,707	8.7
Re-emp. & Job Placement Fund	—	10,633	18,259	7,149	177	(97.5)
Total State Taxes Collected by Other Agencies	\$ 46,600	\$ 56,590	\$ 63,879	\$ 47,831	40,082	(16.2)
TAXES ON PROPERTY COLLECTED BY LOCAL GOVERNMENT						
Real Estate	\$ 3,652,377	\$ 3,991,502	\$ 4,324,093	\$ 4,616,779	4,818,706	4.4
Personal Property	148,392	130,603	140,541	158,476	199,000	25.6
Motor Vehicles	266,925	337,253	284,703	285,343	281,484	(1.4)
Total Taxes on Property Collected by Local Government	\$ 4,067,694	\$ 4,459,357	\$ 4,749,338	\$ 5,060,598	\$ 5,299,190	4.7
TOTAL ALL TAXES	\$12,448,609	\$13,382,242	\$13,835,844	\$14,493,370	\$14,915,733	2.9

Because of rounding, detail may not add to Totals.



Offers in Final Settlement — Fiscal Year 1992

Under M.G.L. c. 62C, sec. 37A, the Commissioner of Revenue has the authority, under specific conditions, to accept less than full payment as a final settlement for a state tax liability. The statutory condition for such settlement is "serious doubt" as to collectibility of the tax due or the taxpayer's liability for it. The Commissioner must also determine that the taxpayer or responsible person has acted without intent to defraud. The settlement must be recommended to the Commissioner by at least two deputy commissioners.

The written agreement, signed by all parties and including the reasons for settlement, is a public record. In cases where the liability is reduced by more than half, or \$20,000 or more, the Attorney General of the Commonwealth must review the settlement and has the authority to object to it.

The law requires that a listing of all settlements entered into during the fiscal year be included in the Commissioner's annual report. In Fiscal Year 1992, 14 settlements were made. Eleven were reviewed by the Attorney General. The Department rejected 82 other offers.

The cases approved were as follows:

NAME	TOTAL TAX, INT. & PEN.	AMOUNT PAID IN SETTLEMENT	AMOUNT ABATED
Lazco, Inc.	\$ 87,939	\$ 8,000	\$ 79,939
Mark E. Engdahl	84,896	42,000	42,896
John A. Perry	99,198	5,000	94,198
David B. Dellamano	4,875	2,945	1,930
Grace and Sherwood Wales	8,173	3,000	5,173
Sheila M. Slaughter	12,029	7,800	4,229
Philip Davis	8,137	1,110	7,027
Estate of Thomas J. Caprarella	28,542	2,500	26,042
Evangeline Caprarella	21,196	5,000	16,196
Carol C. Dadah	17,634	3,000	14,634
Philip and Sylvia Knowlton, as responsible persons of Knowlton Management Corporation	29,682	15,265	14,417
Jeffrey R. Grossman	40,326	7,000	33,326
Ski Haus of Wilmington, Inc. and John J. Elia, responsible person of Ski Haus of Wilmington, Inc.	2,344,926	420,000	1,924,926
Robert L. Hoisington	27,247	5,000	22,247
TOTAL	\$2,814,800	\$527,620	\$2,287,180

Because of rounding, detail may not add to Totals.

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Collection Agencies — Fiscal Year 1992

Chapter 209 of the Acts of 1988 permits the Commissioner of Revenue to use private collection agencies to collect unpaid state taxes. The Commissioner is required to notify all taxpayers whose accounts are to be assigned to a collection agency at least 30 days beforehand.

The law requires that the Commissioner list all agencies with whom collection agreements exist, the amount of taxes collected and the amount of compensation paid in the Department's annual report. They are as follows:

CONTRACTOR	TOTAL COLLECTED	FEES PAID	NET TO DOR
Capital Credit Corp.	\$3,105,636	\$713,382	\$2,392,254
The Master Collectors, Inc.	1,979,759	443,099	1,536,660
Financial Collection Agency, Inc.	1,718,597	349,640	1,368,957
G.C. Services Ltd., Partnership	1,185	213	972
TOTAL	\$6,805,176	\$1,506,335	\$5,298,841

Because of rounding, detail may not add to Totals.

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Commonwealth of
Massachusetts
Department of
Revenue

Annual Report

Fiscal Year 1993

GOVERNMENT DOCUMENTS
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Legislative Review

Fiscal Year 1993

An Act Making Appropriations for the Fiscal Year 1993 for the Maintenance of the Department, Boards, Commissions, Institutions and Certain Activities of the Commonwealth for Interest, Sinking Fund and Service Bond Requirements and for Certain Permanent Improvements (St. 1992, c. 133) — This act contains certain taxation provisions that: change the interest rate on under and overpayments of taxes; clarify the calculation of net operating loss; gradually phase out the estate tax and replace it with a sponge tax; change the treatment of Regulated Investment Companies organized as corporations; and change certain administrative procedures.

Interest Rates

General: Starting with interest accruing on or after January 1, 1993, the Massachusetts interest rate on under or overpayments of taxes is the federal short-term rate plus four percentage points, compounded daily. Previously, Massachusetts imposed an 18 percent simple interest rate. The federal short-term rate is set by the IRS and can change on a quarterly basis. It is based on the average yield of outstanding federal obligations with a maturity date of three years or less. The IRS sets the short-term rate for the first month of each calendar quarter, and the new rate takes effect in the first month of the next quarter.

Transition Rules: The new interest rate provisions apply to all interest accruing on or after January 1, 1993, regardless of when the underlying liability was incurred. The prior interest rate provisions remain in effect for all interest accruing before that date.

Interest on Penalties: The new interest rate rules provide for interest on failure to file penalties starting on the statutory due date, including extensions, and on late payments and failure to pay penalties starting 31 days after the Notice of Assessment.

Interest on Overpayments: The rules applicable to overpayments have changed in the following three ways: 1) The interest rate has changed as discussed above; 2) daily compounding now applies; and 3) interest on overpayments with respect to late returns and

extensions now starts accruing on the filing date and not the date of overpayment in cases where the refund is not made within 90 days.

Combined Groups: This provision clarifies that where a group of corporations reports its income on a combined basis, the return of each member in a group is not considered filed until all members have filed their returns.

Corporate Excise Net Operating Loss Deduction

These net operating loss (NOL) provisions clarify the computation of Massachusetts NOL. Massachusetts NOL is computed separately from federal NOL using a method that takes into account differences between Massachusetts and federal taxable income. Also, the computation provisions allow the Massachusetts dividends received deduction in determining NOL. These provisions are effective for losses incurred in taxable years ending on or after December 31, 1989, the point when losses first became deductible under the general NOL provisions.

Estate Tax

General: The estate tax provisions gradually phase out the estate tax and replace it with a sponge tax in 1997. In addition, these provisions attempt to adopt a full marital deduction for estates of decedents dying on or after July 1, 1994 by repealing certain statutory language limiting the marital deduction to 50 percent of the Massachusetts gross estate. However, these provisions leave in place certain references to the Internal Revenue Code that limit the deduction to 50 percent of the federal estate. Legislation that would eliminate these references is still pending.

Phase Out: The estate tax is phased out by means of annual increases in the exemption. The current \$200,000 exemption is increased to \$300,000 for 1993, \$400,000 for 1994, \$500,000 for 1995 and \$600,000 for 1996. This section eliminates the \$1,500 credit that previously applied to estates above the exempt amount. If the net estate exceeds the exempt amount, then the tax is imposed on the entire taxable estate.

Sponge Tax: The sponge tax is based on the maximum amount of the credit for state taxes allowed for federal estate tax purposes under IRC s. 2011. The sponge tax applies only to estates of decedents dying on or after January 1, 1997.

RIC Provisions

These provisions change the tax treatment of Regulated Investment Companies (RICs) organized as corporations in two ways. First, they remove corporate RICs from the Chapter 63 definition of taxable corporations, thereby exempting them from the corporate excise. Second, Chapter 62 has been amended to allow corporate RICs to distribute interest from exempt federal obligations to their individual shareholders free of tax. The RIC provisions apply to taxable years ending on or after December 31, 1991.

Administrative Provision

Electronic Funds Transfer and Electronic Filing: This provision authorizes the Department to allow electronic funds transfer and electronic filing of returns. The effective date of this provision is July 1, 1992.

Room Occupancy Excise

Effective July 1, 1992, this provision requires the quarterly payment of room occupancy tax revenues to cities and towns electing the local option. The previous payment schedule was semiannual.

Motor Vehicle Excise

Effective July 1, 1992, this provision raises the additional amount charged for the reissuance of licenses and registrations from \$10 to \$20 where the license or registration was revoked due to a tax deficiency.

Deeds Excise

This provision, which was adopted over the Governor's veto, increases the generally applicable deeds excise rate to \$4.56 per \$1000, effective January 5, 1993. Between July 1, 1992 and January 4, 1993 the generally applicable rate was \$2.28 per \$1000.

An Act Pertaining to Health and Tobacco

(St. 1992, c. 254.) — This act amended the cigarette excise by:

- Establishing a Health Protection Fund to be financed by a new excise tax of one and one-quarter cents per cigarette (25 cents per pack of 20) and 25 percent of the wholesale price of smokeless tobacco.
- Requiring cigarette manufacturers, wholesalers, retailers and other cigarette excise taxpayers to file a return and pay the additional tax on any previously taxed cigarettes and unused excise stamps that they have on hand on January 1, 1993. The return must be filed and the additional tax paid by January 20, 1993.
- Mandating the new excise to be collected by the Department of Revenue under the same procedures that apply to the existing tobacco excise.

An Act Relative to Public Reporting of Corporate Tax Information and Analysis of Certain Tax Expenditures (St. 1992, c. 402.)

— This provision requires the Department of Revenue to issue an annual aggregate analysis of corporate excise revenues. In addition, individual publicly traded corporations and banks and insurance companies are required to report to the Secretary of State specified tax return data in a coded format.

An Act Making Appropriations for the Fiscal Year Ending June Thirtieth, Nineteen Hundred and Ninety-Three to Provide for Supplementing Certain Existing Appropriations and for Certain Other Activities and Project (St. 1992, c. 289)

— This act amends the wage reporting requirements of M.G.L. c. 62E, s. 2, to require employers to report new hires within 14 days of commencement of employment.

An Act Relative to Incentives for Economic Development (St. 1993, c. 19.)

— This act sets up a framework for financing economic development in Massachusetts by offering businesses various tax incentives. The act:

- Provides two alternative local property tax incentives. First, it allows cities and towns to exempt up to 100 percent of the value of parcels located in Economic Opportunity Areas (EOAs). EOAs are financially

depressed areas designated for economic development. Second, the act allows cities and towns to designate Tax Incremental Financing (TIF) zones and exempt from the property tax the value of improvements to real property located within the zones. TIF zones do not have to be located in EOAs.

- Increases the Investment Tax Credit (ITC) allowed by M.G.L. c. 63, s. 31A from 1 percent to 3 percent. The credit is based on the cost of tangible personal property and buildings acquired by the taxpayer and located in Massachusetts at the end of the taxable year. The ITC is available only to manufacturing, research and development, and agriculture and fishing corporations. The increase is effective for three taxable years starting with those beginning on or after January 1,

1993. The increase was extended by subsequent legislation and is now set to expire after 1997 taxable years.

- Allows a 5 percent targeted ITC to businesses that locate in EOAs. The 5 percent credit is available for all property that qualifies for the general ITC and that is used in a certified project in an EOA. The targeted ITC is available to all businesses, whether or not they are organized as corporations. A business may not claim both the 3 percent ITC and targeted ITC with respect to the same property.
- Provides a deduction for businesses that renovate abandoned buildings located in EOA. The amount of the deduction is 10 percent of the renovation costs.

Cherry Sheet Receipts for Cities, Towns and Regional School Districts — Fiscal Years 1989–1993

(in millions)

ITEM RECEIPTS	FY89	FY90	FY91	FY92	FY93*	FY92-93 \$Change
CITIES AND TOWNS						
Reimbursements						
Loss of Taxes, all programs	\$ 18.0	\$ 19.0	\$ 18.5	\$ 19.4	\$ 25.8	\$ 6.4
Veterans' Benefits	11.2	10.8	11.6	12.8	12.4	(0.4)
Pensions to Retired Teachers	22.4	26.3	25.7	26.4	27.2	0.8
Urban Renewal, 3 programs	2.0	1.9	1.4	1.2	1.2	0.0
School Transportation, 2 programs	63.4	59.7	56.2	56.2	56.1	(0.1)
Public Libraries, 2 programs	14.8	14.9	15.2	15.3	15.2	(0.1)
School Construction & Repair	106.8	105.4	109.5	123.1	121.1	(2.0)
Racial Imbalance, 3 programs	26.3	23.4	23.6	23.6	23.6	0.0
School and Elderly Lunch	6.2	6.0	5.6	4.5	4.2	(0.3)
Highway & Transit, 2 programs	20.9	14.3	—	—	—	0.0
Other Programs	129.7	113.9	110.1	101.7	268.4	166.7
TOTAL REIMBURSEMENTS	\$ 421.7	\$ 395.7	\$ 377.4	\$ 384.2	\$ 555.2	\$ 171.0
Distributions						
Chapter 70	\$1,108.9	\$1,105.5	\$ 859.6	\$ 789.3	\$ 789.3	\$ 0.0
Lottery, Beano, etc.	306.0	306.0	306.0	306.0	329.0	23.0
Additional Assistance	765.0	765.0	735.9	475.3	476.3	1.0
Highway Fund	24.7	23.9	—	78.8	43.1	(35.7)
Urban Redevelopment Excise	43.6	47.2	43.5	—	—	0.0
Boston Funding Loan Act	—	—	—	—	—	—
County Jail Grants	21.6	22.2	21.6	21.6	—	(21.6)
TOTAL DISTRIBUTIONS	\$2,269.7	\$2,269.7	\$1,966.6	\$1,671.0	\$1,637.7	\$ (33.3)
Total Receipts — Cities and Towns	\$2,691.4	\$2,665.4	\$2,344.0	\$2,055.2	\$2,192.9	\$ 137.7
REGIONAL SCHOOL DISTRICTS						
Reimbursements						
Regional School District Aid	\$ 99.2	\$ 102.4	\$ 98.4	\$ 98.6	\$ 100.4	\$ 1.8
School Transportation	29.6	29.7	28.5	28.0	28.4	0.4
School Construction and Repair	19.3	20.0	18.6	21.2	21.7	0.5
Other Programs	17.6	15.9	14.9	13.3	36.2	22.9
TOTAL REIMBURSEMENTS	\$ 165.7	\$ 168.0	\$ 160.4	\$ 161.1	\$ 186.7	\$ 25.6
Distributions						
Chapter 70	\$ 109.9	\$ 113.3	\$ 108.8	\$ 108.8	\$ 108.8	\$ 0.0
Total Receipts — Regions	\$ 275.6	\$ 281.3	\$ 269.2	\$ 269.9	\$ 295.5	\$ 25.6
TOTAL DIRECT AID	\$2,967.1	\$2,946.7	\$2,613.2	\$2,325.1	\$2,488.4	\$ 163.3

*FY89–92 figures are Actual Receipts. FY93 figures are Cherry Sheet Estimates.

The Taxes — Fiscal Year 1993

TYPE OF TAX	MEASURE	RATE ¹	RETURN DUE
Personal Income	Dividends, Capital Gains ² & Interest other than Mass. bank interest Other income	12.0% 5.95%	On or before April 15 for calendar year filings. The 15th day of the 4th month for fiscal filings.
Estimated Tax	Liability in excess of \$200		Due quarterly on or before the 15th day of April, June, September and January.
Estate	Taxable estate (after expenses, debts, losses, exemptions, charitable and marital deductions)	5% to 16%	Within 9 months after the date of the decedent's death.
Alcoholic Beverages	Malt (31-gal. bbl.) Cider 3%-6% (wine gal.) Still wine 3%-6% (wine gal.) Sparkling wine (wine gal.) Alcoholic beverages 15% or less (wine gal.) Alcoholic beverages more than 15%-50% (wine gal.) Alcoholic beverages more than 50% (proof gal.) Alcohol sold in containers of one gallon or less	\$3.30 \$.03 \$.55 \$.70 \$1.10 \$4.05 \$4.05 \$4.05	Monthly, on or before the 20th day of the month.
Cigarettes	20-Count package 25-Count package	\$.26 ³ \$.325 ³	Monthly, on the 20th day of the month. Unclassified importers must file upon importation or acquisition.
Deeds	Sales price (less mortgage assumed) of real estate	\$1.14 ⁴ per \$500	Monthly, on or before the 10th day of the month.
Motor Fuels	Gasoline and Diesel Fuel per gallon Average wholesale price (21¢ minimum) Propane, Liquified Gas, etc. (No minimum) Aviation (10¢ minimum) Jet Fuel (5¢ minimum)	19.1% 19.1% 7.5% 5%	Monthly, on or before the 20th day of the month.
Room Occupancy	Transient Room Occupancy At local option, up to	5.7% 4.0%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$25,000 — Monthly filings Over \$25,000 — Monthly payments, Quarterly filings
Sales and Use Tax	Sale, rental or use of tangible personal property, including cigarettes, telecommunication services and certain fuel	5%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$100 — Annual filing \$101-1,200 — Quarterly filings \$1,201-25,000 — Monthly filings Over \$25,000 — Periodic payments, Quarterly filings

¹ Tax rates as of August 1, 1992.

² While capital gains are taxed at 12.0%, taxpayers can deduct 50% of net long-term capital gains, creating an effective tax rate of 6%.

³ As of January 1, 1993, the rate increased to .51 for a 20-count package and to .6375 for a 25-count package.

⁴ As of January 5, 1993, the rate increased to \$2.28 per \$500 except in Barnstable County, where the rate was \$1.71 for all of FY93. Barnstable County levies an additional \$1.14 per \$500 as a county tax.

TYPE OF TAX	MEASURE	RATE	RETURN DUE
Sales Tax on Meals, Prepared Food and/or Alcoholic Beverages	All "restaurant" food and on-premise consumption of alcoholic beverages in any amount.	5%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$25,000 — Monthly filings Over \$25,000 — Monthly payments, Quarterly filings
Business Corporation	Net Income Tangible Property or Net Worth Minimum	9.5% ⁵ \$2.60 per \$1,000 \$456	15th day of third month after close of taxable year.
Estimated Tax	Liability in excess of \$1,000		Due quarterly as follows: 15th day of third month of taxable year — 40% ⁶ 15th day of sixth month of taxable year — 25% 15th day of ninth month of taxable year — 25% 15th day of twelfth month of taxable year — 10% ⁶
Security Corporation			
Non Bank Holding Co.	Gross Income	0.33%	Same as business corporations.
Bank Holding Company	Gross Income	1.32%	
	Minimum	\$228	
Commercial Bank and Thrift Institution	Net Income	12.54%	Same as business corporations.
Public Utilities	Net Income	6.5%	Same as business corporations.
Insurance Company			
Domestic Life	Premiums	2.0%	On or before March 15.
	Mass. Net Investment Income	14.0%	
Foreign Life	Premiums	2.0%	
Domestic Casualty	Premiums	2.28%	On or before March 15.
	Gross Investment Income	1.0%	
Foreign Casualty	Premiums	2.28%	
Ocean Marine	Underwriting Profit	5.7%	On or before May 15.
Club Alcoholic Beverages	Gross Receipts	0.57%	On or before April 15.
Motor Vehicle garaged outside Massachusetts	90% to 10% of Manufacturer's list price	\$25 per \$1,000	On or before thirty days from issuance of tax bill.

⁵ S corporations: 4.5% if total receipts \$9 million or more; 3% if total receipts are \$6 million or more but less than \$9 million.

⁶ 30% and 20% for corporations with fewer than 10 employees in its first full tax year.

Revenue Collections

Fiscal Years 1989-1993 *(in thousands)*

	FY89	FY90	FY91	FY92	FY93	%Change
STATE TAXES COLLECTED BY DOR						
<i>Tax on Personal Income</i>						
TOTAL	\$ 4,286,696	\$ 4,465,226	\$ 5,045,091	\$ 5,336,957	\$ 5,374,911	0.7
<i>Taxes on Business</i>						
Corporations	\$ 887,059	\$ 698,408	\$ 612,244	\$ 643,755	\$ 737,354	14.5
Insurance Companies	294,585	265,453	260,705	277,102	272,492	(1.7)
Public Utilities	72,245	62,043	59,274	52,870	69,123	30.7
Commercial Banks	125,155	64,525	27,418	17,622	74,661	323.7
Savings Institutions	98,316	46,219	20,633	42,534	78,193	83.8
TOTAL	\$ 1,477,360	\$ 1,136,649	\$ 980,273	\$ 1,033,883	\$ 1,231,824	19.1
<i>Taxes on Commodities Sold</i>						
Motor Fuels	\$ 306,871	\$ 301,955	\$ 464,222	\$ 541,068	\$ 557,179	3.0
Cigarettes	158,626	150,769	144,423	139,856	190,185	36.0
Alcoholic Beverages	75,753	70,776	66,154	63,547	60,623	(4.6)
Sales & Use*	1,787,063	1,660,519	1,617,727	1,682,319	1,820,972	8.2
Sales on Meals	296,874	295,948	291,710	296,335	303,193	2.3
TOTAL	\$ 2,625,187	\$ 2,479,966	\$ 2,584,236	\$ 2,723,126	\$ 2,932,152	7.7
<i>Other Taxes</i>						
Estate & Inheritance	\$ 258,560	\$ 276,447	\$ 249,516	\$ 260,215	\$ 267,273	2.7
Room Occupancy Excise	57,896	56,626	55,983	55,864	59,291	6.1
Deeds Excise	46,076	37,629	30,211	32,443	33,492	3.2
Club Alcoholic Beverage Excise	555	848	1,564	1,128	908	(19.6)
Motor Vehicle Excise	1,188	2,063	616	195	148	(24.2)
Savings Dep. Insurance/Mass. Housing Partnership	6,546	—	—	—	—	—
TOTAL	\$ 370,821	\$ 373,613	\$ 337,890	\$ 349,845	\$ 361,111	3.2
Total State Taxes Collected by DOR	\$ 8,760,065	\$ 8,455,454	\$ 8,947,490	\$ 9,443,810	\$ 9,899,998	4.8

*Includes sales and use tax on motor vehicles.

	FY89	FY90	FY91	FY92	FY93	%Change
LOCAL TAXES COLLECTED BY DOR ON BEHALF OF COMMUNITIES						
Urban Redevelopment	\$ 43,706	\$ 45,761	\$ 45,624	\$ 45,319	\$ 40,806	(10.0)
Local Option Airplane Jet Fuel	13,129	13,252	13,333	11,714	11,666	(0.4)
Local Option Room Occupancy	35,112	37,613	36,328	39,475	40,135	1.7
Boston Excise Fund	—	—	—	—	—	NA
Total Local Taxes Collected by DOR on Behalf of Communities	\$ 91,947	\$ 96,625	\$ 95,285	\$ 96,508	\$ 92,608	(4.0)
OTHER REVENUE						
Sav. Co-op Ins./Oil Haz. Material	\$ —	\$ —	\$ —	\$ —	\$ —	NA
Utility & Insurance Assessments	4,743	3,388	7,801	4,487	8,000	78.3
Departmental Fees, Licenses, etc.	9,540	9,496	9,534	10,011	11,044	10.3
Commonwealth Liability Reduction Fund	—	444,502	298,297	—	—	NA
County Correction Fund — Deeds	—	4,813	4,378	4,835	1,670	(65.5)
Abandoned Deposits — Bottle	—	8,350	22,156	16,811	16,204	(3.6)
Total Other Revenue	\$ 14,283	\$ 470,548	\$ 342,166	\$ 36,143	\$ 36,919	2.1
STATE TAXES COLLECTED BY OTHER AGENCIES						
Horse & Dog Racing	\$ 32,666	\$ 31,749	\$ 27,478	\$ 26,089	\$ 15,666	(40.0)
Beano and Boxing	5,065	4,954	4,929	4,888	4,662	(4.6)
Raffles/Bazaars	1,259	1,357	1,187	1,222	1,143	(6.4)
Special Insurance Brokers	6,967	7,561	7,090	7,707	7,960	3.3
Re-emp. & Job Placement Fund	10,633	18,259	7,149	177	—	(100.0)
Total State Taxes Collected by Other Agencies	\$ 56,590	\$ 63,879	\$ 47,831	\$ 40,082	\$ 29,432	(26.6)
TAXES ON PROPERTY COLLECTED BY LOCAL GOVERNMENT						
Real Estate	\$ 3,991,502	\$ 4,324,093	\$ 4,616,779	\$ 4,818,706	\$ 5,006,995	3.9
Personal Property	130,603	140,541	158,476	199,000	242,681	22.0
Motor Vehicles	337,253	284,703	285,343	281,484	319,734	13.6
Total Taxes on Property Collected by Local Government	\$ 4,459,357	\$ 4,749,338	\$ 5,060,598	\$ 5,299,190	\$ 5,569,410	5.1
TOTAL ALL TAXES	\$13,382,242	\$13,835,844	\$14,493,370	\$14,915,733	\$15,628,366	4.8

Because of rounding, detail may not add to Totals.

Offers in Final Settlement — Fiscal Year 1993

Under M.G.L. c. 62C, sec. 37A, the Commissioner of Revenue has the authority, under specific conditions, to accept less than full payment as a final settlement for a state tax liability. The statutory condition for such settlement is "serious doubt" as to collectibility of the tax due or the taxpayer's liability for it. The Commissioner must also determine that the taxpayer or responsible person has acted without intent to defraud. The settlement must be recommended to the Commissioner by at least two deputy commissioners.

The written agreement, signed by all parties and including the reasons for settlement, is a public record. In cases where the liability is reduced by more than half, or \$20,000 or more, the Attorney General of the Commonwealth must review the settlement and has the authority to object to it.

The law requires that a listing of all settlements entered into during the fiscal year be included in the Commissioner's annual report. In Fiscal Year 1993, 16 settlements were made. Fifteen were reviewed by the Attorney General. The Department rejected 75 other offers.

The cases approved were as follows:

NAME	TOTAL TAX, INT. & PEN.	AMOUNT PAID IN SETTLEMENT	AMOUNT ABATED
Theodore and Christine Box	\$ 12,166	\$ 5,478	\$ 6,688
Anthony Fiorello	20,550	7,200	13,350
Wilfred Goldman	13,656	5,000	8,656
Rogelio Juarez, as responsible person of R. Juarez & Sons, Inc.	37,525	9,000	28,525
Lamb Intl. Inc.	45,612	16,262	29,350
George V. Larson	2,571	750	1,821
John P. and Janet L. McNelis	15,558	8,000	7,558
Sidney & Miriam Ostrovitz	8,677	4,000	4,677
Emmett J. Peterson	1,743	575	1,168
Helen Phinney	11,625	5,757	5,868
John J. Rega, as responsible person of Arega Associates Corporation	2,610	1,000	1,610
Ronald W. Robichaud, Jr.	3,688	1,000	2,688
T & L Sportswear, Inc.	21,792	9,002	12,790
Jack D. and Elsie M. Vail	30,389	5,000	25,389
John and Cynthia Warner	1,688	300	1,388
James & Jean Whitty	76,338	10,000	66,338
TOTAL	\$306,189	\$88,324	\$217,864

Because of rounding, detail may not add to Totals.

Collection Agencies — Fiscal Year 1993

Chapter 209 of the Acts of 1988 permits the Commissioner of Revenue to use private collection agencies to collect unpaid state taxes. The Commissioner is required to notify all taxpayers whose accounts are to be assigned to a collection agency at least 30 days beforehand.

The law requires that the Commissioner list all agencies with whom collection agreements exist, the amount of taxes collected and the amount of compensation paid in the Department's annual report. They are as follows:

CONTRACTOR	TOTAL COLLECTED	FEES PAID	NET TO DOR
Capital Credit Corp.	\$3,765,180	\$ 714,661	\$3,050,519
The Master Collectors, Inc.	4,911,840	1,046,870	3,864,970
Financial Collection Agency, Inc.	5,046,875	1,008,498	4,038,377
TOTAL	\$13,723,895	\$2,770,029	\$10,953,866

Because of rounding, detail may not add to Totals.

MASS. R1.1: 994 ~



Commonwealth of
Massachusetts
Department of
Revenue

Annual Report

Fiscal Year 1994

GOVERNMENT DOCUMENTS
COLLECTION

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William F. Weld
Governor

Mark Robinson
Secretary for Administration
and Finance

Mitchell Adams
Commissioner of
Revenue

**Legislative
Review
Fiscal Year 1994**

An Act Making appropriations for the fiscal year ending June 30, 1993 to provide for supplementing certain existing appropriations and for certain other activities and projects (St. 1993, c. 50) — This act reclassifies interest received or credited to deposit accounts in banking partnerships under the supervision of the Commissioner of Banks as Part B income. *St. 1993, c. 50, s. 18 amending M.G.L. c. 62, s.2(b)*. Approved and effective May 20, 1993, applicable to tax years beginning on or after January 1, 1993.

An Act Making Appropriations for the Fiscal Year 1994 for the Maintenance of the Department, Boards, Commissions, Institutions and Certain Activities of the Commonwealth for Interest, Sinking Fund and Service Bond Requirements and for Certain Permanent Improvements (St. 1993, c. 110) — This act contains certain taxation provisions that require DOR to conduct a limited amnesty program for certain nonfilers; provide innocent spouse relief; extend the abatement deadline for certain cases; provide assistance to the Massachusetts Higher Education Assistance Corporation (MHEAC), the Executive Office of Communities and Development (EOCD) and the state's trial courts; provide revenue estimates on September 15 and March 15; certify the amount of voluntary contributions to the the Natural Heritage Fund each fiscal year; administer a tax on illegal drugs; and exempt from tax certain sales from honor snack trays.

Limited Amnesty for Taxpayers

This provision authorized the Department to conduct a limited amnesty program for certain types of taxpayers. Those taxpayers were (1) nonresidents who had not filed Massachusetts nonresident individual income tax returns for at least one of the taxable years beginning after January 1, 1986 and on or before January 1, 1992; (2) foreign corporation nonfilers subject to the Massachusetts corporation excise that had not filed corporation excise returns for at least one of the taxable years beginning after January 1, 1986 and on or before January 1, 1992; and (3) taxpayers with unreported use tax liabilities for any items of tangible personal

property or services that were required to be reported on a return due after January 1, 1986 and on or before January 1, 1992. The provision gave these taxpayers a three-month period to come forward, file their returns and pay the delinquent taxes, beginning September 18, 1993. For taxpayers who came forward, the Department proposed to waive late filing and late payment penalty charges, forego the assessment of these taxes for periods prior to those covered by amnesty, and forego the referral of cases covered by the amnesty periods to the Attorney General's Office for criminal prosecution. *St. 1993, c. 110, s.276*.

Innocent Spouse Relief

This provision authorizes the Department to promulgate regulations affording innocent spouse relief where a taxpayer and spouse file a joint return reporting a substantial understatement of tax attributable to grossly erroneous items of one spouse if (1) the other spouse establishes that in signing the return he or she did not know, and had no reason to know, that there was such a substantial understatement; and (2) taking into account all facts and circumstances, it would be inequitable to hold the other spouse liable for the deficiency. If relief is granted, the innocent spouse will be relieved of liability for the tax, including interest and penalties attributable to the understatement. The innocent spouse provision becomes effective when the regulation is promulgated. *St. 1993, c. 110, s.123 adding M.G.L. c. 62C, s.84*.

Abatement Extensions

This provision extends the abatement deadline under M.G.L. c. 62C, s.37, to cover the entire assessment period in cases where the Department and the taxpayer agree to extend the assessment period. It provides that for abatement deadline purposes, "the period for abatement ... shall not expire prior to the expiration period within which an assessment may be made pursuant to such agreement or any extension thereof." *St. 1993, c. 110, s.122 amending M.G.L. c. 62C, s.37*.

Assistance to MHEAC

This provision requires the Department "pursuant to section 3 of Chapter 62D" to provide

assistance to the Massachusetts Higher Education Assistance Corporation (MHEAC) and to the New England Loan Marketing Corporation (NELMC) in the collection of delinquent student loan payments. *St. 1993, c. 110, ss. 65, 324 affecting M.G.L. c. 62D.*

Assistance to EOCD

The Executive Office of Communities and Development (EOCD) is afforded access to the Department's wage reporting and bank match systems for purposes of verifying eligibility for the rental voucher program. *St. 1993, c. 110, s.293 affecting M.G.L. c. 62E.*

Indigence Verification

This provision creates a pilot program under which the state's trial courts would have access to the Department's taxpayer records for purposes of determining the indigence of a person requesting court appointed counsel. *St. 1993, c. 110, s.273.*

Natural Heritage Fund

The Commonwealth is required to match the voluntary contributions made to the Fund on taxpayers' personal income and corporation excise returns. The Department would be required to certify to the state comptroller the amount of voluntary contributions each fiscal year. *St. 1993, c. 110, ss.121,124 amending M.G.L. c. 62, s.6D, M.G.L. c. 63, s.38L.*

Cash Flow Reports

DOR is to provide the state treasurer with quarterly estimates of cash flow receipts, with an explanation of economic assumptions upon which the reports are based. *St. 1993, c. 110, s.55, amending M.G.L. c. 10, s.10.*

Revenue Estimates

Rather than annually, DOR is now required to prepare revenue estimates on both September 15 and March 15. *St. 1993, c. 110, s.89, amending M.G.L. c. 29, s.5B.*

Controlled Substances Tax

New Chapter 64K imposes a stamp tax on the possession of illegal drugs. Anyone who possesses more than a specified amount of an illegal drug must affix tax stamps to the drugs. The tax is determined based on the weight or dosage of the drugs, with a 100% penalty

imposed for noncompliance. The Department is given responsibility for issuing the stamps and administering the tax. *St. 1993, c. 110, s.127 adding M.G.L. c. 64K.*

Sales Tax on Honor Trays

This provision exempts from the sales tax certain sales of food from honor trays. Honor trays are vending carts placed in workplaces from which snacks may be purchased on an honor system. The exemption would apply only if all items sold from the tray are priced at less than \$1.00. *St. 1993, c. 110, ss.125, 126 amending M.G.L. c. 64H, s.6(h).*

The effective date for the above provisions is July 1, 1993.

An Act Making Appropriations for the Fiscal Year ending June 30, 1993, to Provide for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects. (St. 1993, c. 151)

— This act allows a sales tax exemption for sales of \$1,000 or more of gold or silver coins issued by Namibia. Prior law allowed a sales tax exemption for sales of all coins other than those issued by South Africa or Namibia. *St. 1993 c. 151, s.30 amending M.G.L. c. 64H, s.6(11).* The act is effective August 19, 1993.

An Act Relative to Corporate Tax Disclosure (St. 1993, c. 386)

— This act changes the public disclosure provisions of M.G.L. c. 62C to require individual corporate tax payments, as well as credits claimed to be made known without revealing corporate identities. Prior law required taxpayers to identify themselves specifically on their disclosure forms. The act adds a new requirement that corporations disclose the amount of each credit claimed for the taxable year. Under prior law, the amount of credits claimed was not required to be reported. *St. 1993, c. 386, ss.1-9, amending M.G.L. c. 62C, s.83.* These changes are retroactive to December 31, 1993, which was when disclosure statements were due to be filed with the Secretary of State's Office.

An Act to Improve the Economic Security of the Children of the Commonwealth (St. 1993, c. 460)

— In addition to other changes, the new child support legislation amends provi-

sions of the Commonwealth's tax disclosure, refund offset, wage reporting and bank match laws. The new act:

- Allows DOR's Child Support Enforcement Division (CSE) access to copies of tax returns and other documents necessary to identify and locate child support obligors, identify their assets and evaluate their ability to pay. Previously, the law allowed CSE access to certain tax return information, but not entire returns. *St. 1993, c. 460, s.7 amending M.G.L. c. 62C, s.21.*
- Gives child support obligations second priority (after state taxes) in claiming refund offsets. Prior law placed child support obligations third in priority after state taxes and Department of Employment and Training obligations. *St. 1993, c. 460, s.8 amending M.G.L. c. 62D, s.13.*
- Adopts the same definition of reportable wages for purposes of DOR's Wage Reporting System as is used for federal reporting purposes and automatically updates the Massachusetts definition to reflect changes in federal law. *St. 1993, c. 460, s.9, amending M.G.L. c. 62E, s.1.*
- Clarifies the purpose of the wage reporting program and the bank match system. The new act specifically provides that these programs are to be used to verify financial eligibility for state entitlements and unemployment benefits and to enforce the tax and child support laws. The act also provides a mechanism for expanding the uses of the programs, subject to approval by the House and Senate Ways and Means Committees. *St. 1993, c. 460, ss.10,11,13-17, amending M.G.L. c. 62E, ss.2,3,10-13, and adding new s.14.*
- Extends the coverage of the wage reporting and the bank match systems to include money market mutual funds and similar accounts. The Department is authorized to request from financial institutions quarterly bank matches for a list of designated taxpayers. However, in lieu of quarterly bank matches, financial institutions may opt to supply annual lists of all account holders,

if the institutions provide quarterly updates on new accounts. *St. 1993, c. 460, s.12, amending M.G.L. c. 62E, s.4.*

An Act Relative to the Investment of Certain Public Funds in South Africa (St. 1993, c. 474)

— The act allows a sales tax exemption for sales of \$1,000 or more of gold or silver coins issued by the Republic of South Africa. *St. 1993, c. 474, s.7, amending M.G.L. c. 64H, s.6(II).*

An Act Further Regulating Lead Paint in the Commonwealth (St. 1993, c. 482)

— This act amends the personal income tax credit for lead paint removal. The changes apply to taxable years beginning on or after January 1, 1994. The new act:

- Increases the maximum credit from \$1,000 to \$1,500 per dwelling unit. *St. 1993, c. 482, s.2, further amending M.G.L. c. 62, s.6(e) (as amended by St. 1993, c. 19 s.16).*
- Allows up to \$500 per dwelling unit for interim controls. Interim controls include certain abatement measures taken pending the complete removal of lead paint. The \$500 amount would count toward the \$1,500 limit. *St. 1993, c. 482, s.2, further amending M.G.L. c. 62, s.6(e) (as amended by St. 1993, c. 19 s.16).*
- Increases the carry-over period for an unused lead paint removal credit from five years to seven years. Credits generated for taxable years beginning before January 1, 1994 still will be subject to a five year carry-over. *St. 1993, c. 482, s.2, further amending M.G.L. c. 62, s.6(e) (as amended by St. 1993, c. 19 s.16).*

An Act Making Appropriations for the Fiscal Year Ending June 30, 1994 to Provide for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects (St. 1993, c. 495)

— This act contains a provision that creates a sales tax exemption for meals served to residents of continuing care facilities. Continuing care facilities generally are residences that provide continuing care to individuals which residences must provide a disclosure statement to prospective residents pursuant to c. 93, s.76. *St. 1993, c. 495, s.22, amending M.G.L. c. 62H s.6.*

Cherry Sheet Receipts for Cities, Towns and Regional School Districts — Fiscal Years 1990–1994

(in millions)

ITEM RECEIPTS	FY90	FY91	FY92	FY93	FY94*	FY93-94 \$Change
CITIES AND TOWNS						
Reimbursements						
Loss of Taxes, all programs	\$ 19.0	\$ 18.5	\$ 19.4	\$ 25.8	\$ 25.8	\$ 0.0
Veterans' Benefits	10.8	11.6	12.8	13.7	12.9	(0.8)
Pensions to Retired Teachers	26.3	25.7	26.4	27.9	28.0	0.1
Urban Renewal, 3 programs	1.9	1.4	1.2	1.1	1.1	0.0
School Transportation, 2 programs	59.7	56.2	56.2	56.1	56.8	0.7
Public Libraries, 2 programs	14.9	15.2	15.3	15.2	18.6	3.4
School Construction & Repair	105.4	109.5	123.1	123.1	137.6	14.5
Racial Imbalance, 3 programs	23.4	23.6	23.6	23.6	23.6	0.0
School and Elderly Lunch	6.0	5.6	4.5	4.5	4.5	0.0
Highway & Transit, 2 programs	14.3	—	—	—	—	0.0
Other Programs	113.9	110.1	101.7	268.4	32.8	(235.6)
TOTAL REIMBURSEMENTS	\$ 395.7	\$ 377.4	\$ 384.2	\$ 555.4	\$ 341.7	\$ (218.0)
Distributions						
Chapter 70	\$1,105.5	\$ 859.6	\$ 789.3	\$ 789.3	\$1,159.9	\$ 370.6
Lottery, Beano, etc.	306.0	306.0	306.0	329.0	329.0	0.0
Additional Assistance	765.0	735.9	475.3	476.3	476.3	0.0
Highway Fund	23.9	—	78.8	43.1	43.5	0.4
Urban Redevelopment Excise	47.2	43.5	—	—	—	0.0
Boston Funding Loan Act	—	—	—	—	—	—
County Jail Grants	22.2	21.6	21.6	—	—	0.0
TOTAL DISTRIBUTIONS	\$2,269.7	\$1,966.6	\$1,671.0	\$1,637.7	\$2,008.7	\$ 371.0
Total Receipts — Cities and Towns	\$2,665.4	\$2,344.0	\$2,055.2	\$2,197.1	\$2,350.4	\$ 153.3
REGIONAL SCHOOL DISTRICTS						
Reimbursements						
Regional School District Aid	\$ 102.4	\$ 98.4	\$ 98.6	\$ 100.4	—	\$ (100.4)
School Transportation	29.7	28.5	28.0	28.4	27.7	(0.7)
School Construction and Repair	20.0	18.6	21.2	21.9	21.2	(0.7)
Other Programs	15.9	14.9	13.3	36.0	1.5	(34.5)
TOTAL REIMBURSEMENTS	\$ 168.0	\$ 160.4	\$ 161.1	\$ 186.7	\$ 50.4	\$ (136.3)
Distributions						
Chapter 70	\$ 113.3	\$ 108.8	\$ 108.8	\$ 108.8	\$ 273.0	\$ 164.2
Total Receipts — Regions	\$ 281.3	\$ 269.2	\$ 269.9	\$ 295.5	\$ 323.4	\$ 27.9
TOTAL DIRECT AID	\$2,946.7	\$2,613.2	\$2,325.1	\$2,492.6	\$2,673.8	\$ 181.2

*FY90-93 figures are Actual Receipts, FY94 figures are Cherry Sheet Estimates.

The Taxes — Fiscal Year 1994

TYPE OF TAX	MEASURE	RATE ¹	RETURN DUE
Personal Income and Fiduciary Income	Dividends, Net Capital Gains ² , and interest other than Mass. bank interest and interest received by pawnbrokers Other income	12.0% 5.95%	On or before April 15 for calendar year filings. The 15th day of the 4th month for fiscal filings.
Nonresident	Mass. source income		
Estimated Tax	Liability in excess of \$200		Due quarterly on or before the 15th day of April, June, September and January.
Withholding	Wages	5.95%	Varies depending on amount of tax withheld in calendar year. If annual withholding: Up to \$100 — Annual filing \$101–1,200 — Quarterly filing \$1,201–25,000 — Monthly filing Over \$25,000 — Quarterly filing, Weekly payments
Estate³	Taxable estate (after expenses, debts, losses, exemptions, charitable and marital deductions)	5% to 16%	Within 9 months after the date of the decedent's death.
Nonresident	Mass. real and tangible property		
Alcoholic Beverages	Malt (31-gal. bbl.) Cider 3%–6% (wine gal.) Still wine 3%–6% (wine gal.) Sparkling wine (wine gal.) Alcoholic beverages 15% or less (wine gal.) Alcoholic beverages more than 15%–50% (wine gal.) Alcoholic beverages more than 50% or Alcohol (proof gal.)	\$3.30 \$.03 \$.55 \$.70 \$1.10 \$4.05 \$4.05	Monthly, on or before the 20th day of the month.
Cigarettes	20-Count package Smokeless tobacco (price paid by licensee)	\$.51 50%	Monthly, on the 20th day of the month. Unclassified importers must file upon importation or acquisition.
Deeds	Sales price (less mortgage assumed) of real estate	\$4.56 ⁴ per \$1,000	Monthly, on or before the 10th day of the month.
Motor Fuels	Gasoline and Diesel Fuel per gallon Average wholesale price (21¢ minimum) Propane, Liquefied Gas, etc. (No minimum) Aviation (10¢ minimum) Jet Fuel at local option (5¢ minimum)	19.1% 19.1% 7.5% 5%	Monthly, on or before the 20th day of the month.
Room Occupancy	Transient Room Occupancy At local option, up to	5.7% 4.0%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$25,000 — Monthly filings Over \$25,000 — Monthly payments, Quarterly filings
Club Alcoholic Beverages	Gross Receipts	0.57%	On or before April 15.

¹ Tax rates as of August 1, 1994.

² While capital gains are taxed at 12.0%, taxpayers can deduct 50% of net long-term capital gains, creating an effective tax rate of 6%.

³ An alternative computation of the estate tax is used if it results in a lower tax: 20% of (Massachusetts net estate – applicable exemption).

Until the estate tax is fully phased down in January 1, 1997, at which time it will be measured by the federal state death tax credit, the exemption increases each year depending on the date of death: \$300,000 in 1993, \$400,000 in 1994, \$500,000 in 1995, and \$600,000 in 1996.

⁴ In Barnstable County, the rate is \$3.42 per \$1,000.

TYPE OF TAX	MEASURE	RATE	RETURN DUE
Sales and Use Tax	Sale, rental or use of tangible personal property, including cigarettes, telecommunication services and certain fuel	5%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$100 — Annual filing \$101–1,200 — Quarterly filings \$1,201–25,000 — Monthly filings Over \$25,000 — Periodic payments, Quarterly filings
Sales Tax on Meals, Prepared Food and/or Alcoholic Beverages	All "restaurant" food and on-premises consumption of alcoholic beverages in any amount.	5%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$25,000 — Monthly filings Over \$25,000 — Monthly payments, Quarterly filings
Business and Manufacturing Corporations	Net Income Tangible Property or Net Worth Minimum	9.5% ⁵ \$2.60 per \$1,000 \$456	15th day of third month after close of taxable year.
Estimated Tax	Liability in excess of \$1,000		Due quarterly as follows: 15th day of third month of taxable year — 40% ⁶ 15th day of sixth month of taxable year — 25% 15th day of ninth month of taxable year — 25% 15th day of twelfth month of taxable year — 10% ⁶
Security Corporation			
Non Bank Holding Co.	Gross Income	0.33%	Same as business corporations.
Bank Holding Company	Gross Income	1.32%	
	Minimum	\$228	
Commercial Bank and Thrift Institution	Net Income	12.54%	Same as business corporations.
Public Utilities	Net Income	6.5%	Same as business corporations.
Ship Excise Tax	Value (equity interest) of the corporation's interest in a ship or vessel engaged in interstate or foreign trade.	0.379%	Same as business corporations.
Insurance Company			
Domestic Life	Premiums	2.0%	On or before March 15.
	Mass. Net Investment Income	14.0%	
Foreign Life	Premiums	2.0%	
Domestic Casualty	Premiums	2.28%	On or before May 15.
	Gross Investment Income	1.0%	
Foreign Casualty	Premiums	2.28%	
Ocean Marine	Underwriting Profit	5.7%	
Marijuana and Controlled Substances Tax	Weight of marijuana Weight of controlled substance Dosage unit of controlled substance	\$3.50 per gram \$200 per gram \$2,000 per 50 dosage units	Payment due immediately upon acquisition or possession in Massachusetts by dealer. Payment evidenced by stamps purchased from the Commissioner.
Motor Vehicle garaged outside Massachusetts	90% to 10% of Manufacturer's list price	\$25 per \$1,000	On or before thirty days from issuance of tax bill.

⁵ S corporations: 4.5% if total receipts \$9 million or more; 3% if total receipts are \$6 million or more but less than \$9 million.

⁶ 30% and 20% for corporations with fewer than 10 employees in its first full tax year.

Revenue Collections

Fiscal Years 1990-1994 (in thousands)

	FY90	FY91	FY92	FY93	FY94	%Change
STATE TAXES COLLECTED BY DOR						
Tax on Personal Income						
TOTAL	4,465,226	\$ 5,045,091	\$ 5,336,957	\$ 5,374,911	\$ 5,689,768	5.9
Taxes on Business						
Corporations	\$ 698,408	\$ 612,244	\$ 643,755	\$ 737,354	\$ 782,284	6.1
Insurance Companies	265,453	260,705	277,102	272,492	281,521	3.3
Public Utilities	62,043	59,274	52,870	69,123	81,797	18.3
Commercial Banks	64,525	27,418	17,622	74,661	136,880	83.3
Savings Institutions	46,219	20,633	42,534	78,193	62,969	(19.5)
TOTAL	\$ 1,136,649	\$ 980,273	\$ 1,033,883	\$ 1,231,824	\$ 1,345,452	9.2
Taxes on Commodities Sold						
Motor Fuels	\$ 301,955	\$ 464,222	\$ 541,068	\$ 557,179	\$ 562,584	1.0
Cigarettes	150,769	144,423	139,856	190,185	237,307	24.8
Alcoholic Beverages	70,776	66,154	63,547	60,623	60,211	(0.7)
Sales & Use*	1,660,519	1,617,727	1,682,319	1,820,972	1,978,774	8.7
Sales on Meals	295,948	291,710	296,335	303,193	323,365	6.7
TOTAL	\$ 2,479,967	\$ 2,584,236	\$ 2,723,126	\$ 2,932,152	\$ 3,162,241	7.8
Other Taxes						
Estate & Inheritance	\$ 276,447	\$ 249,516	\$ 260,215	\$ 267,273	\$ 277,533	3.8
Room Occupancy Excise	56,626	55,983	55,864	59,291	62,819	6.0
Deeds Excise	37,629	30,211	32,443	33,492	38,643	15.4
Club Alcoholic Beverage Excise	848	1,564	1,128	908	787	(13.3)
Motor Vehicle Excise	2,063	616	195	148	310	110.1
Controlled Substances	—	—	—	—	1	NA
TOTAL	\$ 373,613	\$ 337,890	\$ 349,845	\$ 361,111	\$ 380,093	5.3
Total State Taxes Collected by DOR	\$ 8,455,454	\$ 8,947,490	\$ 9,443,810	\$ 9,899,998	\$ 10,577,554	6.8

*Includes sales and use tax on motor vehicles.

	FY90	FY91	FY92	FY93	FY94	%Change
LOCAL TAXES COLLECTED BY DOR ON BEHALF OF COMMUNITIES						
Urban Redevelopment	\$ 45,761	\$ 45,624	\$ 45,319	\$ 40,806	\$ 39,715	(2.7)
Local Option Airplane Jet Fuel	13,252	13,333	11,714	11,666	12,560	7.7
Local Option Room Occupancy	37,613	36,328	39,475	40,135	42,986	7.1
Total Local Taxes Collected by DOR on Behalf of Communities	\$ 96,625	\$ 95,285	\$ 96,508	\$ 92,608	\$ 95,262	2.9
OTHER REVENUE						
Utility & Insurance Assessments	\$ 3,388	\$ 7,801	\$ 4,487	\$ 8,000	\$ 5,738	(28.3)
Departmental Fees, Licenses, etc.	9,496	9,534	10,011	11,044	3,808	(65.5)
Commonwealth Liability Reduction Fund	444,502	298,297	—	—	—	NA
County Correction Fund — Deeds	4,813	4,378	4,835	1,670	5,650	238.3
Abandoned Deposits — Bottle	8,350	22,156	16,811	16,204	15,020	(7.3)
Total Other Revenue	\$ 470,548	\$ 342,166	\$ 36,143	\$ 36,919	\$ 30,216	(18.2)
STATE TAXES COLLECTED BY OTHER AGENCIES						
Horse & Dog Racing	\$ 31,749	\$ 27,478	\$ 26,089	\$ 15,666	\$ 13,426	(14.3)
Beano and Boxing	4,954	4,929	4,888	4,662	4,368	(6.3)
Raffles/Bazaars	1,357	1,187	1,222	1,143	1,085	(5.1)
Special Insurance Brokers	7,561	7,090	7,707	7,960	8,668	8.9
Re-emp. & Job Placement Fund	18,259	7,149	177	—	—	NA
Total State Taxes Collected by Other Agencies	\$ 63,879	\$ 47,831	\$ 40,082	\$ 29,432	\$ 27,547	(6.4)
TAXES ON PROPERTY COLLECTED BY LOCAL GOVERNMENT						
Real Estate	\$ 4,324,093	\$ 4,616,779	\$ 4,818,706	\$ 5,006,995	\$ 5,194,194	3.7
Personal Property	140,541	158,476	199,000	242,681	270,259	11.4
Motor Vehicles	284,703	285,343	281,484	320,182	296,325	(7.5)
Total Taxes on Property Collected by Local Government	\$ 4,749,337	\$ 5,060,598	\$ 5,299,190	\$ 5,569,858	\$ 5,760,778	3.4
TOTAL ALL TAXES	\$13,835,844	\$14,493,370	\$14,915,733	\$15,628,815	\$16,491,357	5.5

Because of rounding, detail may not add to Totals.

Offers in Final Settlement — Fiscal Year 1994

Under M.G.L. c. 62C, sec. 37A, the Commissioner of Revenue has the authority, under specific conditions, to accept less than full payment as a final settlement for a state tax liability. The statutory condition for such settlement is "serious doubt" as to collectibility of the tax due or the taxpayer's liability for it. The Commissioner must also determine that the taxpayer or responsible person has acted without intent to defraud. The settlement must be recommended to the Commissioner by at least two deputy commissioners.

The written agreement, signed by all parties and including the reasons for settlement, is a public record. In cases where the liability is reduced by more than half, or by \$20,000 or more, the Attorney General of the Commonwealth must review the settlement and has the authority to object to it.

The law requires that a listing of all settlements entered into during the fiscal year be included in the Commissioner's annual report. In Fiscal Year 1994, 11 settlements were made. Ten were reviewed by the Attorney General. The Department rejected 69 other offers.

The cases approved were as follows:

NAME	TOTAL TAX, INT. & PEN.	AMOUNT PAID IN SETTLEMENT	AMOUNT ABATED
Abcott, Inc.	\$ 1,494	\$ 250	\$ 1,244
Vincent F. Cahill, as responsible person of Zephyr Marine Corp.	45,214	9,000	36,214
Douglas I. and Cheryl T. Carlsen	16,864	3,000	13,864
Jeffrey B. Greene	52,858	5,000	47,858
Amy G. Moreland	8,777	6,000	2,777
Arnold and Francene Neustadt	252,010	139,564	112,446
Parts Department Service, Inc.	8,858	3,749	5,109
Robert L. Fortes House, Inc.	738,360	116,306	622,054
Mark J. Silberman	18,489	3,000	15,489
Specialty Store Concepts of Medford	79,294	9,423	69,872
Paul A. Thomas	2,400	850	1,550
TOTAL	\$1,224,618	\$296,142	\$928,476

Because of rounding, detail may not add to Totals.

Collection Agencies — Fiscal Year 1994

Chapter 209 of the Acts of 1988 permits the Commissioner of Revenue to use private collection agencies to collect unpaid state taxes. The Commissioner is required to notify all taxpayers whose accounts are to be assigned to a collection agency at least 30 days beforehand.

The law requires that the Commissioner list all agencies with whom collection agreements exist, the amount of taxes collected and the amount of compensation paid in the Department's annual report. They are as follows:

CONTRACTOR	TOTAL COLLECTED	FEES PAID	NET TO DOR
Capital Credit Corp.	\$6,966,505	\$1,395,107	\$5,571,397
The Master Collectors, Inc.	6,891,111	1,521,350	5,369,761
Financial Collection Agency, Inc.	8,042,187	1,591,073	6,451,114
TOTAL	\$21,899,803	\$4,507,531	\$17,392,272

Because of rounding, detail may not add to Totals.

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Department of

Revenue

Annual Report



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Message from the

Commissioner



Dear Taxpayer:

Across the country, information technology has revolutionized the way work is done, permitting efficiencies never before possible. The Department of Revenue is a very good example.

Imaging/data recognition, electronic funds transfer, interactive voice response, computer assisted audit, PC filing and TELEFILE are growing in use very rapidly. This extensive array of cutting-edge systems has permitted us to downsize from 2,000 employees to 1,500 over the last five years, while all critical performance measures have improved significantly. Service has never been better. Half a million taxpayers got their refunds in four days or less last year, and waiting time on telephones was cut to near zero at peak tax season.

Our pledge is to keep our leadership role in these technologies, because it will mean lower costs and even better performance and service for Massachusetts taxpayers.

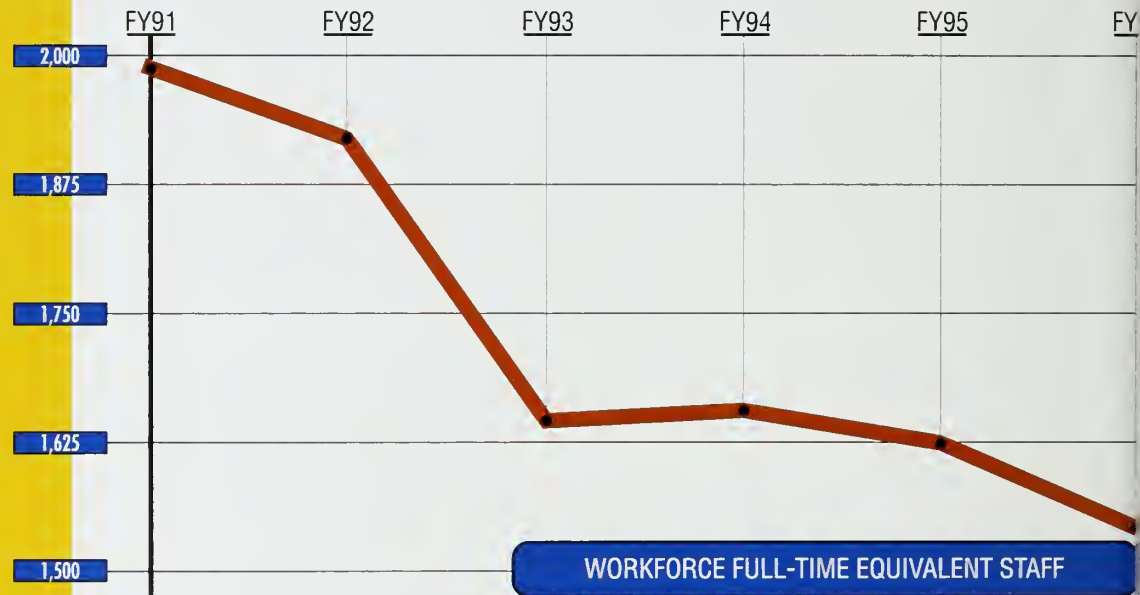
Sincerely,

Mitchell Adams

Commissioner

The Department of Revenue has become smaller and leaner.

Downsizing



Performance

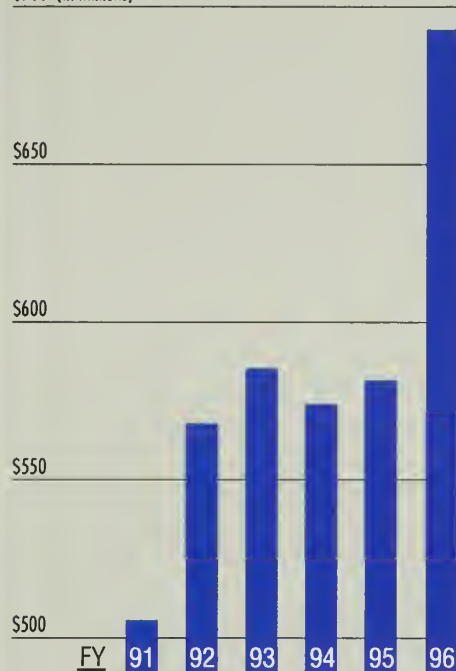
Output and performance are up significantly.

Audit assessments and the collection of delinquent taxes are areas well suited to new applications of information technology that can leverage human resources. Both had reached record levels by FY96, and in both areas greater gains will be made in the future as we continue to automate.

Taxpayers filing electronically or by TELEFILE receive their refunds in three or four days. Average refund turnaround time will continue to improve as the percentage of total returns filed in these new ways increases. In the future the new filing methods, in combination with widespread use of direct deposit to taxpayers' bank accounts, will permit refund turnaround time approaching zero.

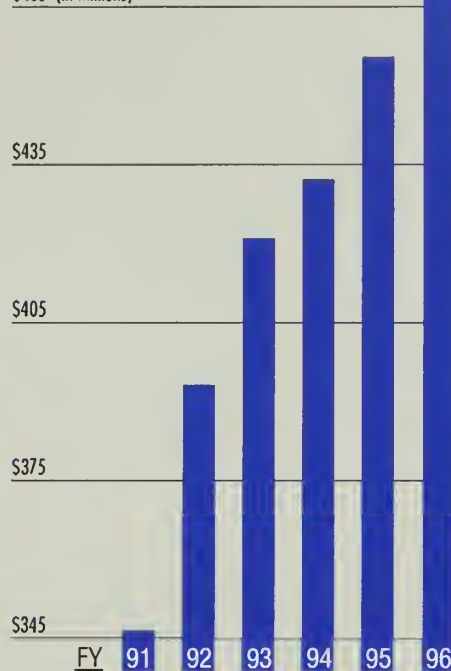
ASSESSMENTS

\$700 (in millions)



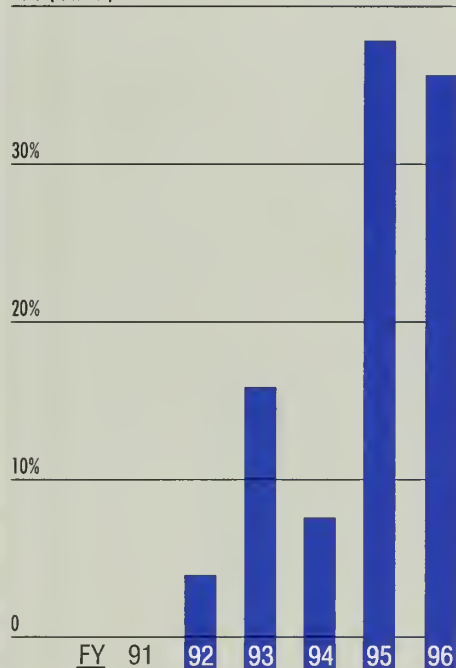
COLLECTION OF DELINQUENT TAXES

\$465 (in millions)



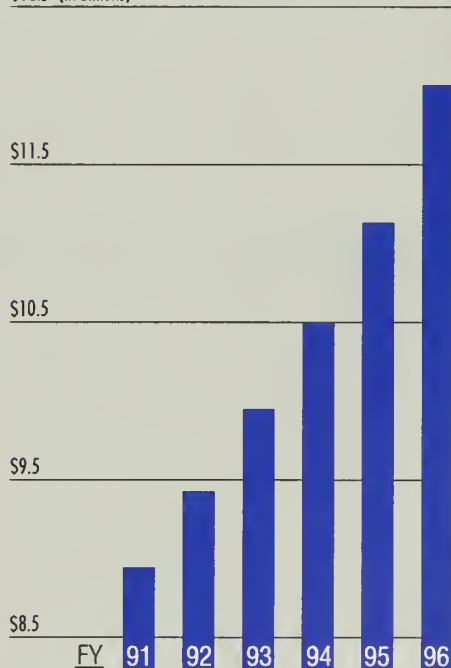
TAX REFUND TURNAROUND TIME

40% (% faster)



REVENUE

\$12.5 (in billions)

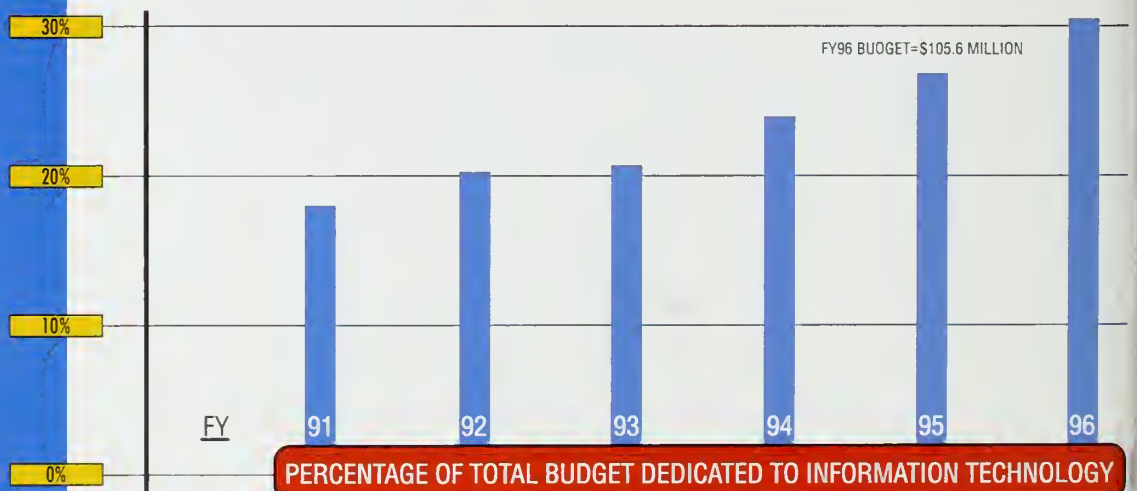
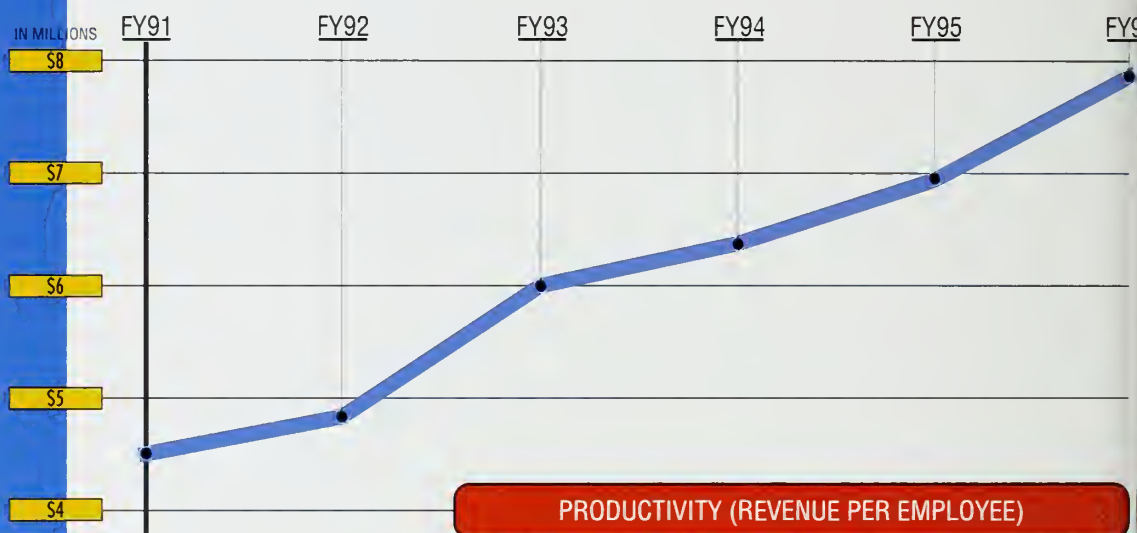


(Base year FY91 = 27 days)

Information

Technology

Computers have transformed the Department of Revenue from a paper factory to a center of digital technology. Resources dedicated to information technology have risen steadily. Productivity has almost doubled.



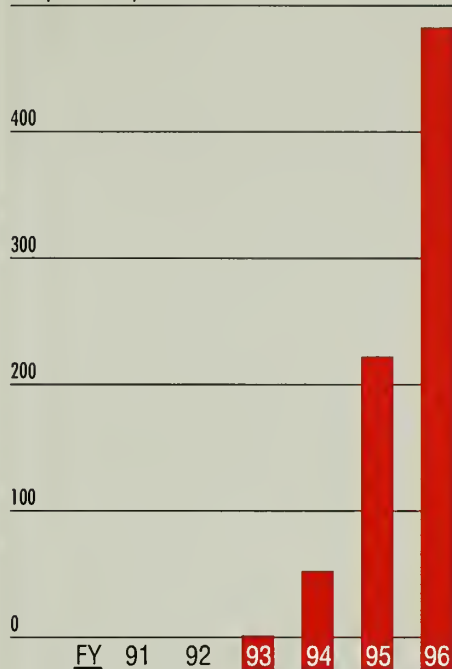
These charts depict four areas of operations where significant growth has taken place in new technologies which are revolutionizing tax administration. In each case costs have been reduced and service to taxpayers improved.

Taxpayers like TELEFILE because it's user-friendly and because the entire filing process can be completed in eight minutes. Imaging and electronic funds transfer move us a big step closer to our goal of a paperless system. Interactive Voice Response systems give quick answers to taxpayers' most frequently asked questions, and immediate access to a real person if needed.

There is more to come. Similar technologies will be brought online in the near future. Others are on the drawing boards.

TAX RETURNS FILED ELECTRONICALLY AND BY TELEFILE

500 (in thousands)



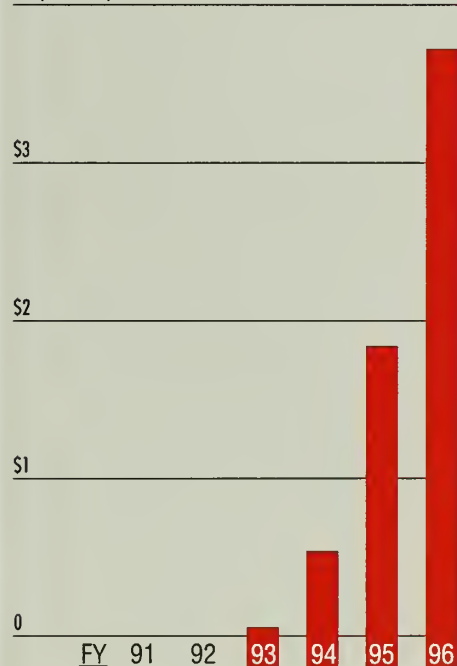
TAX RETURNS PROCESSED BY IMAGING

1,500 (in thousands)



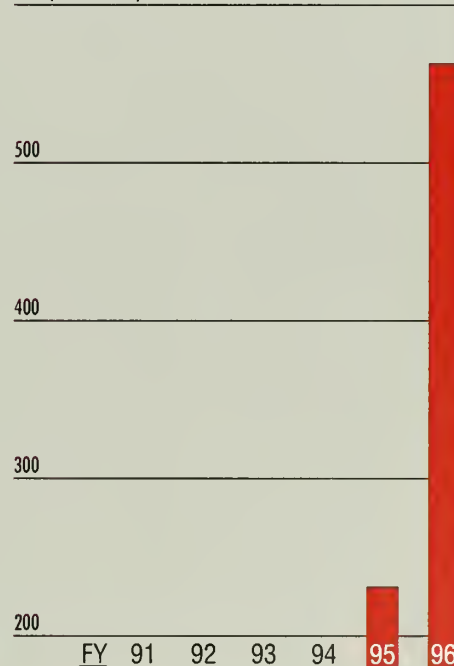
TAX RECEIPTS GENERATED BY ELECTRONIC FUNDS TRANSFER

\$4 (in billions)



CUSTOMER CONTACTS MANAGED BY INTERACTIVE VOICE RESPONSE SYSTEMS

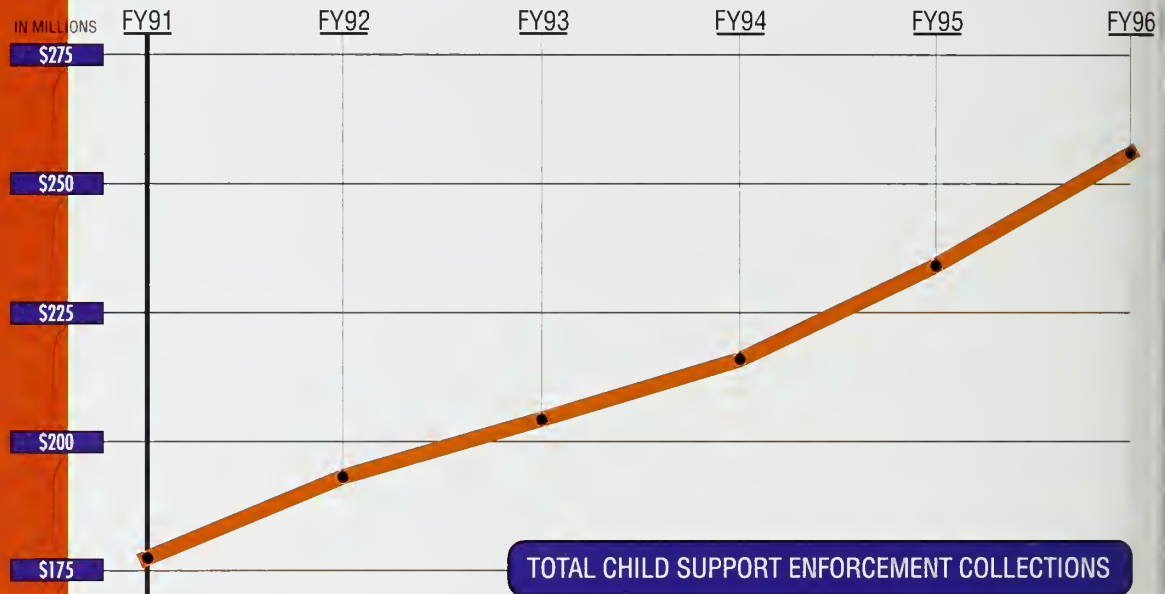
600 (in thousands)



Child Support

Enforcement

Information Technology has transformed Child Support Enforcement as well. Two-thirds of all collections are now received by computerized wage garnishment. All critical performance measures are up.

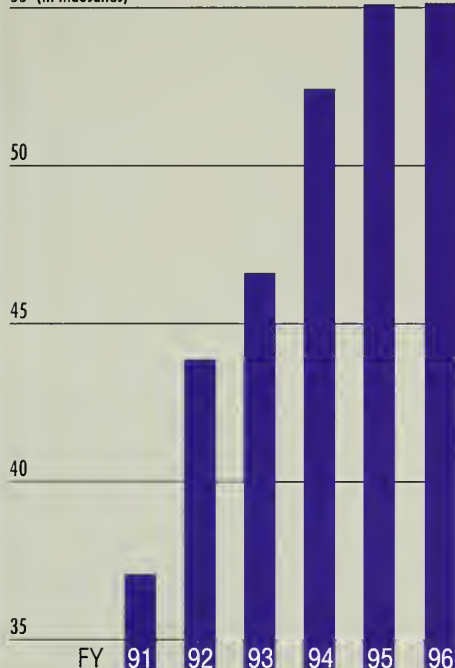


DOR's Child Support Enforcement Division is a model for the nation, because Massachusetts led the way by adopting the toughest laws in the country and because the Division has been innovative in the use of information technology. With a staggering overall caseload of more than 235,000, improved performance could only be achieved by harnessing the power of computer technology.

Perhaps the best measure of performance is the number of families receiving regular child support. This number has increased from 38,000 to 57,000 in the five-year period. More child support for more Massachusetts families, combined with welfare reform and an improving economy, has meant that fewer families need to turn to public assistance. The welfare caseload has dropped from 115,000 to 84,000.

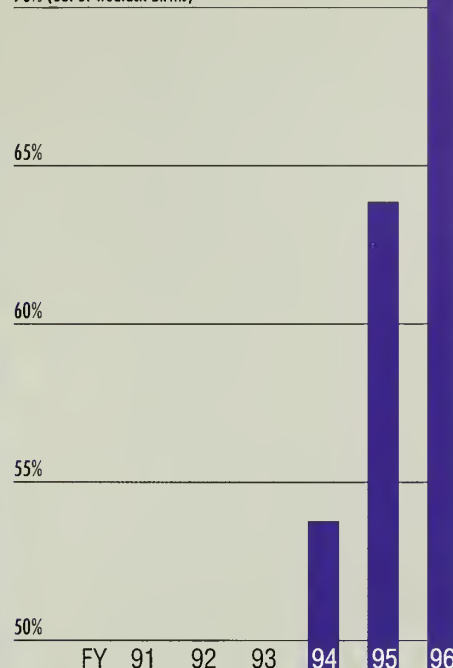
FAMILIES RECEIVING CHILD SUPPORT

55 (in thousands)



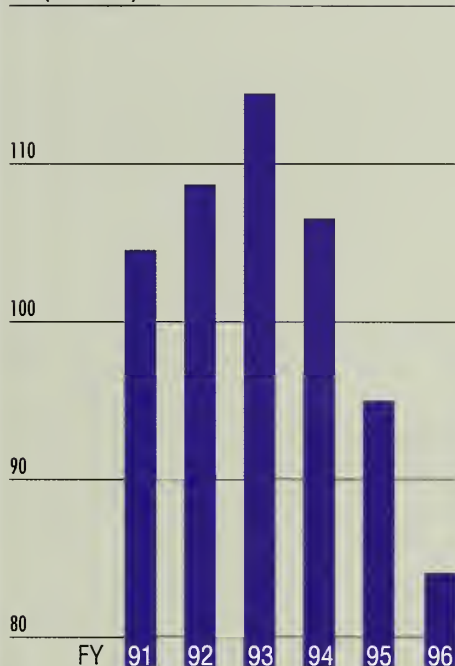
VOLUNTARY PATERNITY ACKNOWLEDGEMENT

70% (out of wedlock births)



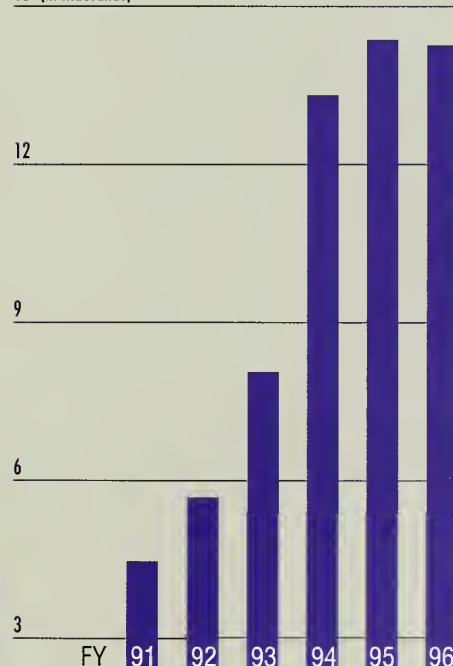
WELFARE (AFDC) CASELOAD

120 (in thousands)



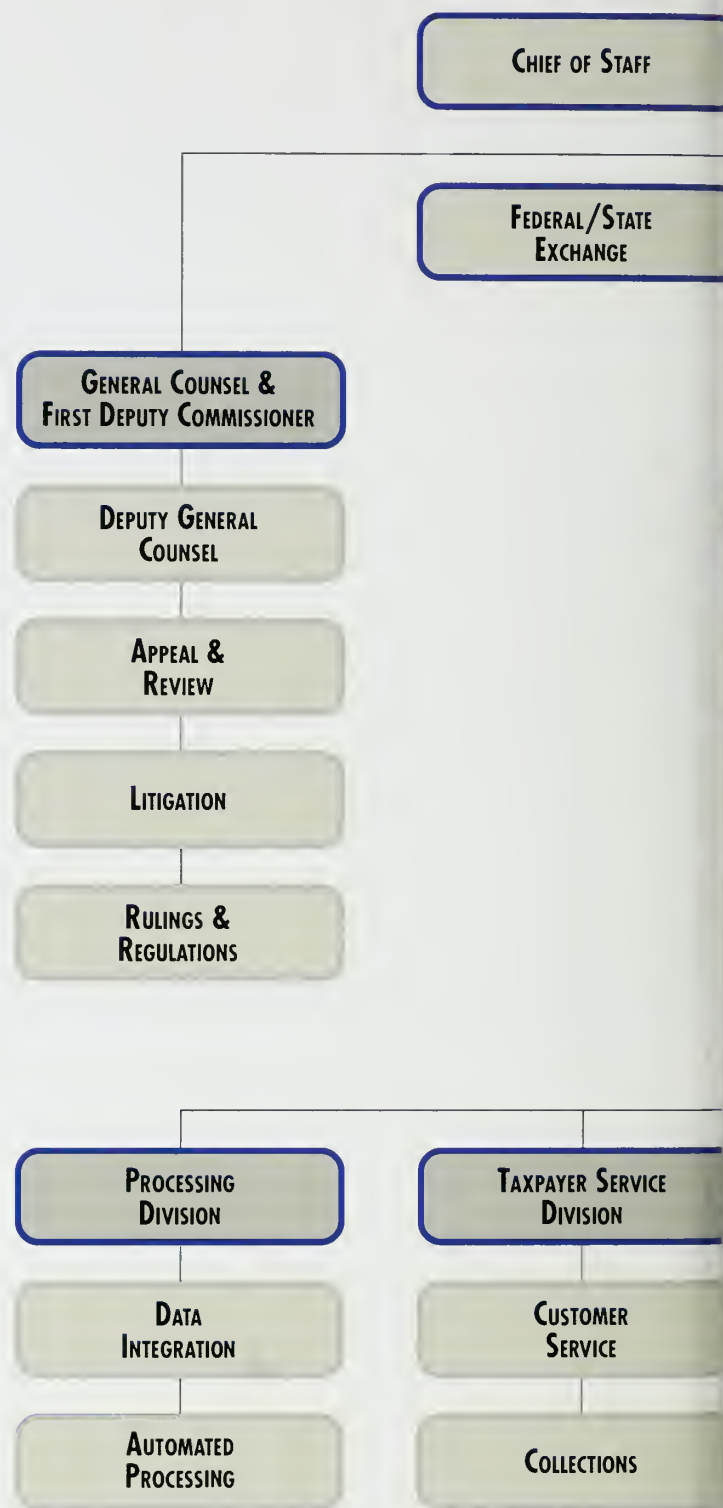
CHILD SUPPORT ORDERS ESTABLISHED

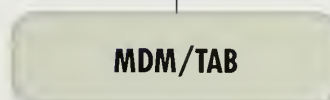
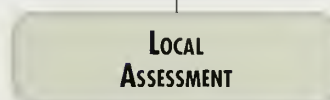
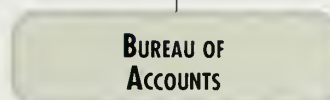
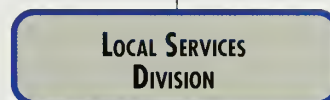
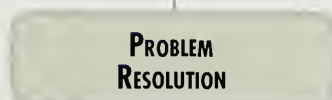
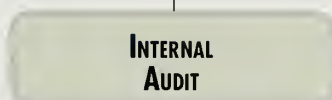
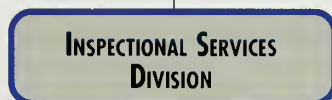
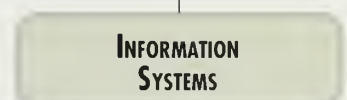
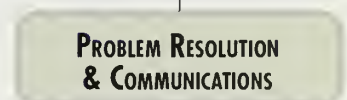
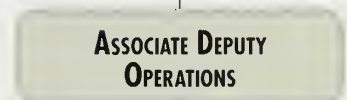
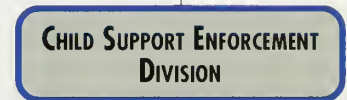
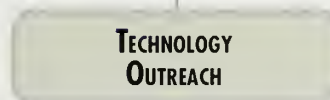
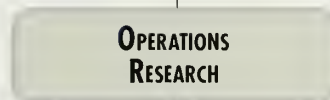
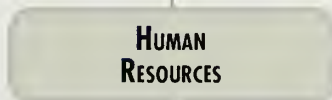
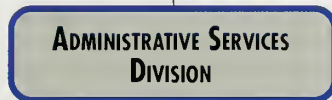
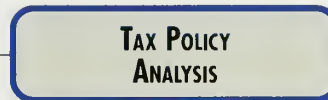
15 (in thousands)



Child Support Enforcement is one of several factors affecting welfare caseload. Others include welfare reform measures, economic conditions, etc.

Department of Revenue 1996





Legislative Review

An Act Making Appropriations for the Fiscal Year 1996 for the Maintenance of the Departments, Boards, Commissions, Institutions and Certain Activities of the Commonwealth, for Interest, Sinking Fund and Serial Bond Requirements and for Certain Permanent Improvements (St. 1995, c. 38) —

This act changes the definition of resident or inhabitant for income tax purposes; expands the sales and use tax exemptions for broadcasters, newspaper publishers, and distributors of printed sales material; authorizes the Commissioner to enter into the International Fuel Tax Agreement with Canada and Mexico; and makes several other changes relating to state tax and tax administration.

Personal Income Tax

Residency: The definition of “resident” or “inhabitant” in M.G.L. c. 62, Taxation of Incomes, has been expanded to include (1) any natural person domiciled in the Commonwealth, or (2) any natural person who

is not domiciled in the Commonwealth but who maintains a permanent place of abode here and spends in the aggregate more than 183 days or partial days of the taxable year in Massachusetts. However, a day in the Commonwealth while on active duty in the United States armed forces is not counted. Accordingly, a “non-resident” is now defined to be any natural person who is not a resident or inhabitant. *St. 1995, c. 38, s.65, amending M.G.L. c. 62, s.1(f).*

Sales and Use Tax

Newspaper and Broadcaster Exemptions: Effective January 1, 1996, an expanded sales tax exemption is allowed for purchases of production-related tangible personal property used in publishing a newspaper or broadcasting commercial radio or television. *St. 1995, c. 38, ss.54, 55, amending M.G.L. c. 64H, s.6, subsections (r),(s).*

Printed Materials Exemption: The sales tax exemption for printed materials has been expanded to include

charges for direct mail promotional advertising materials such as discount coupons and advertising leaflets that are manufactured or distributed from both inside and outside the Commonwealth. *St. 1995, c. 38, s.56, amending M.G.L. c. 64H, s.6(f).*

Miscellaneous Excises

Fuel and Special Fuels Acquired Outside and Used Within the Commonwealth: Any noncommercial vehicle is now exempt, including those, such as recreational vehicles, which have tanks of 30 gallons or more. A new provision is added which authorizes the Commissioner to enter into the International Fuel Tax Agreement with other states, Mexico and Canada. *St. 1995, c. 38, ss.50,51, amending M.G.L. c. 64F, s.3 and adding new s.5A, St. 1995, c. 38, ss.52,53 make further technical changes to M.G.L. c. 64F.*

Tax Administration/Finance

Personal Income Tax Forms: The information required on any return filed pursuant to Chapter 62, Taxation of Incomes, will now include an indication of whether the individual is a non-custodial parent. *St. 1995, c. 38, s.66, amending M.G.L. c. 62C to add new section 5A.*

Due dates for fuel and special fuels returns: The filing dates for fuel and special fuels tax returns have been changed to the thirtieth day of April, July, October and January following the preceding calendar quarter. Previously, the returns were due on the

twentieth day of such month. *St. 1995, c. 38, s.67, amending M.G.L. c. 62C, s.16(f).*

Disclosure of tax information:

Upon written request, disclosure of certain tax information to the Secretary of Communities and Development is permitted for the purpose of ascertaining all sources of income and household income levels for tenants who request state and federal housing subsidies.

A newly authorized pilot indigency verification unit in the Office of Chief Justice for Administration and Management of the Trial Court may request tax records to evaluate assets, income and expenses in requests for appointment of counsel. *St. 1995, c. 38, s.68, amending M.G.L. c. 62C, s.21(b) to add new subsection (16). St. 1995, c. 38, s.258, providing for indigency verification is uncoded.*

Set-off Debt Collection

Definitions: The definition of "claimant agency" has been expanded to include the Department of Transitional Assistance and the Division of Medical Assistance. The definition of "debt" has been expanded to include amounts owed to the Division of Medical Assistance, or amounts owed to the Department of Transitional Assistance by recipients of public assistance. The definition of "Debtor" has been amended in accordance with the above changes. *St. 1995, c. 38, s.69-71, amending M.G.L. c. 62D, s.1. St. 1995, c. 38, ss.72-78, amend-*

ing M.G.L. c. 62D, ss.3, 5-7, 10, to conform to the above definitional changes.

Wage Reporting

Secretary of Communities and Development: The Wage Reporting and Bank Match Systems and inter-agency agreements therewith now include the Secretary of Communities and Development. *St. 1995, c. 38, s.79, amending M.G.L. c. 62E, s.3.*

Tax Refund Offset

Division of Medical Assistance: The Department of Revenue may withhold from state tax refunds amounts owed to the Division of Medical Assistance. The Tax Refund Offset will apply to any person who (1) is required by court or administrative order to provide coverage of health services costs to a child eligible for medical assistance; (2) has received payment from a third party; but (3) has not used that payment to reimburse either the other parent or guardian of the child or the provider of the health services. *St. 1995, c. 38, s.132, amending M.G.L. c. 118E, s.23 which incorporates M.G.L. c. 62D, s.3.*

Unless otherwise noted, the effective date of all of the above provisions is July 1, 1995.

An Act Relative to the Equitable Taxation of Financial Institutions (St. 1995, c. 81) — This act repeals the current bank tax law and substitutes new provisions which expand the scope of the tax to cover "financial institutions," assert the state's tax ju-

FY96

jurisdiction over certain non-Massachusetts financial institutions engaged in business in the Commonwealth, gradually reduce the tax rate from 12.54 percent to 10.5 percent over a five-year period, and allow apportionment of income to eliminate tax on out-of-state revenues. Additionally, this act amends the current security corporation provisions so that they apply to qualifying financial institutions.

Financial Institution Excise

Taxable Entities: In addition to the traditional banks subject to the current law, the new law will apply to various financial institutions, such as credit card companies and mortgage lenders, involved in banking-type activities. Included under the definition of "financial institution" is the business that any corporation carries on, or has the authority to carry on, in competition with a bank, if it derives more than 50 percent of its gross income from lending or credit card activities. Credit unions are specifically excluded from the definition of "financial institution" and will not be taxed under the new law.

Jurisdiction: The new law contains a statutory presumption, subject to rebuttal, that a financial institution located outside of Massachusetts is engaged in business in the Commonwealth, and thus subject to the tax, if it (1) conducts banking-type activities with at least 100 Massachusetts customers, (2) has \$10 million or more in assets attributable to Massachusetts, or (3) has in excess of \$500,000 in receipts attributable to Massachusetts.

Tax Rates: The current bank tax rate is 12.54 percent of net income. Under the new law, banks will pay an excise measured by taxable net income at the following rates: 12.13 percent in 1995, 11.72 percent in 1996, 11.32

percent in 1997, 10.91 percent in 1998, and 10.5 percent in 1999 and thereafter.

Financial entities which were taxed in 1994 under the personal income tax or corporate excise provisions rather than the bank tax provisions, and which fall within the new definition of financial institutions, will continue to be so taxed, and will not be taxed as financial institutions until taxable year 1999.

Non-bank financial institutions that were not taxed in 1994 under the personal income or corporate excise provisions but which are now subject to Massachusetts taxation, will pay tax at the rate of 10.5 percent beginning January 1, 1995.

There is a minimum excise of \$456 for all subject financial institutions.

Apportionment: Currently, resident banks with out-of-state operations are not allowed to apportion their income; they are taxed on 100 percent of income from all sources. For tax years beginning with 1995, Massachusetts has adopted a three-factor apportionment formula based on receipts, payroll and property for financial institutions whose business activity is taxable both within and without Massachusetts. Applying the fraction obtained from the apportionment formula to a bank's total net income results in taxation of revenues attributable to Massachusetts.

St. 1995, c. 51, s. 1, amending M.G.L. c. 63, by striking out ss. 1, 2, and inserting in place thereof new ss. 1-3, St. 1995, c. 51, s. 7, uncodified.

Security Corporation Excise

Certain financial institutions will continue to be taxed as security corporations upon classification by the

Commissioner. The minimum tax for security corporations has been increased to \$456. *St. 1995, c. 51, s. 6, amending M.G.L. c. 63, s. 38B.*

This act shall take effect for taxable years beginning on or after January 1, 1995.

An Act Relative to the Mailing of Tax Payments and Documents (St. 1995, c. 129)

— This act permits the date of mailing to be considered the date of receipt with respect to all tax returns, applications for abatement, tax payments, or any other documents required to be filed with the Commissioner. Besides United States mail, taxpayers will be able to use alternative delivery services approved by the Commissioner. For business operators making payments of withholding tax, sales tax, or other trustee-type taxes, the mailing date must be on or before the second day before the due date. *St. 1995, c. 129 amending M.G.L. c. 62C, s. 33A.*

An Act Relative to Job Retention and Economic Expansion in the Commonwealth (St. 1995, c. 280)

— This act allows eligible defense corporations with apportionable net income to elect an apportionment formula based entirely on its sales factor; requires other manufacturing corporations with apportionable net income to use apportionment formulas which, over the next five years, gradually increase the weight of the sales factor relative to the property and payroll factors; and allows corporations with both defense and nondefense research activities to elect an alternate calculation of the credit for research expenses.

Corporate Excise

Apportionment: Effective for taxable years beginning on or after January 1, 1996, an eligible defense manufac-

turer doing business both in Massachusetts and elsewhere may elect to apportion its net income using a formula based solely on its sales factor.

A defense corporation is any domestic or foreign corporation that, during the five year period ending on December 31, 1995, derived more than 50 percent of its gross receipts from the manufacture of tangible personal property for sale to the United States military. To be eligible for elective single sales factor apportionment, the defense corporation must have a significant level of sales and must maintain levels of Massachusetts property and payroll of at least 90 percent of the levels maintained during the base period.

Other manufacturing corporations doing business both in Massachusetts and elsewhere are required to apportion their net income using the following apportionment factor percentages for the following taxable years:

1996 Sales Factor=60%, Property Factor=20%, Payroll Factor=20%

1997 Sales Factor=70%, Property Factor=15%, Payroll Factor=15%

1998 Sales Factor=80%, Property Factor=10%, Payroll Factor=10%

1999 Sales Factor=90%, Property Factor=5%, Payroll Factor=5%

2000 and thereafter Sales Factor=100%

Corporations other than eligible defense corporations or manufacturing corporations will continue to use the current apportionment formula:

Sales Factor=50%, Property Factor=25%, Payroll Factor=25%

St. 1995, c. 280, ss.1,2, amending M.G.L. c. 63, s.35(c) and adding new subsections 35(k),(l).

Credit for Research Expenses: Effective for taxable years beginning on or after January 1, 1995, corporate taxpayers may elect a bifurcated computation of the credit for research expenses which separates the qualified research expenses and the gross receipts attributable to defense related activities from the qualified research expenses and the gross receipts attributable to nondefense-related activities. Generally, defense-related research is research conducted pursuant to a defense or NASA contract. The alternate calculation results in a credit for a corporation which has reduced its defense-related research from high levels during the base period if its nondefense research has increased. *St. 1995, c. 280, s.3, amending M.G.L. c. 63, s.35M.*

An Act Relative to Business Organizations in the Commonwealth (St. 1995, c. 281) — This act allows business and professional firms to conduct business as either limited liability companies (LLC) or limited liability partnerships (LLP). See M.G.L. c. 108A, as amended, and new Chapter 156C, Limited Liability Company Act.

Personal Income Tax

LLC/LLP: A limited liability company shall be deemed to be a partnership if it is classified for the taxable year as a partnership for federal income tax purposes. *St. 1995, c. 281, s.1, amending M.G.L. c. 62, s.17.*

Corporate Excise

LLC: A Massachusetts limited liability company which is not classified for the taxable year as a partnership for federal income tax purposes is considered to be a domestic corporation for purposes of the corporate excise. A foreign limited liability company which is not classified for the taxable

year as a partnership for federal income tax purposes is considered to be a foreign corporation for purposes of the corporate excise. *St. 1995, c. 281, ss.2,3, amending M.G.L. c. 63, s.30.*

A corporation which is a member of a limited liability company doing business in Massachusetts on or before November 15, 1995, and which is treated as a partnership shall be allowed to claim the investment tax credit and the credit for research expenses based on the LLC's investments and research. The credit(s) cannot reduce the amount due to less than the minimum tax. This provision expires as of January 1, 2000. *St. 1995, c. 281, ss.20A,20B, regarding M.G.L. c. 63, ss.31A,35M, and ss.32(b),39(b), 67.*

This act shall take effect on January 1, 1996.

An Act Providing for Distinctive Registration Plates Commemorating the Participation of the United States Olympic Team in the Olympics (St. 1995, c. 246) — This act contains provisions establishing the Massachusetts United States Olympic Fund which will consist of revenues from various public and private sources.

Personal Income Tax

Voluntary Check-Off Donation: Effective for taxable years beginning on or after January 1, 1996, taxpayers may make voluntary contributions on their individual income tax returns to the Massachusetts United States Olympic Fund. *St. 1995, c. 246, ss.2,4 amending M.G.L. c. 62 by adding new s.6H.*

The Taxes

Fiscal Year 1996

TYPE OF TAX	MEASURE	RATE ¹	RETURN DUE
Personal Income and Fiduciary Income	Dividends, net capital gains, ² interest other than Mass. bank interest and interest received by pawnbrokers	12.0%	On or before April 15 for calendar year filings. The 15th day of the 4th month for fiscal filings.
	Other income	5.95%	
Nonresident	Mass. source income		
Estimated Tax	Liability in excess of \$200		Due quarterly on or before the 15th day of April; June, September and January.
Withholding	Wages	5.95%	Varies depending on amount of tax withheld in calendar year. If annual withholding: Up to \$100 — Annual filing \$101–1,200 — Quarterly filings \$1,201–25,000 — Monthly filings Over \$25,000 — Quarterly filings, weekly payments
Estate ³	Taxable estate (after expenses, debts, losses, exemptions, charitable and marital deductions)	5% to 16%	Within 9 months after the date of the decedent's death.
Nonresident	Mass. real and tangible property		
Alcoholic Beverages	Malt (31-gal. bbl.)	\$3.30	Monthly, on or before the 20th day of the month.
	Cider 3%–6% (wine gal.)	\$.03	
	Still wine 3%–6% (wine gal.)	\$.55	
	Sparkling wine (wine gal.)	\$.70	
	Alcoholic beverages 15% or less (wine gal.)	\$1.10	
	Alcoholic beverages more than 15%–50% (wine gal.)	\$4.05	
	Alcoholic beverages more than 50% or alcohol (proof gal.)	\$4.05	
Cigarettes	20-Count package	\$.51	Monthly, on the 20th day of the month. Unclassified importers must file upon importation or acquisition.
	Smokeless tobacco (percentage of price paid by licensee)	50%	
Deeds	Sales price (less mortgage assumed) of real estate	\$2.28 ⁴ per \$500	Monthly, on or before the 10th day of the month (filed by Registers of Deeds).
Motor Fuels	Gasoline and diesel fuel per gallon	19.1%	Monthly, on or before the 20th day of the month.
	Average wholesale price (21¢ minimum)		
	Propane, liquified gas, etc. (no minimum)	19.1%	
	Aviation (10¢ minimum)	7.5%	
	Jet fuel at local option (5¢ minimum)	5%	
Room Occupancy	Transient room occupancy	5.7%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$25,000 — Monthly filings Over \$25,000 — Monthly payments, quarterly filings
	At local option, up to	4.0%	
Club Alcoholic Beverages	Gross receipts	0.57%	On or before April 15.

¹ Tax rates as of August 1, 1995.

² While capital gains are taxed at 12.0%, taxpayers can deduct 50% of net long-term capital gains, creating an effective tax rate of 6%. Effective for the 1996 tax year, the capital gains tax has been reduced to 5% for assets (other than collectibles) held for more than one year.

³ An alternative computation of the estate tax is used if it results in a lower tax: 20% of (Massachusetts net estate less applicable exemption).

Until the estate tax is fully phased down on January 1, 1997, at which time it will be measured by the federal state death tax credit, the exemption increases each year depending on the date of death: \$300,000 in 1993, \$400,000 in 1994, \$500,000 in 1995, and \$600,000 in 1996.

⁴ In Barnstable County, the rate is \$3.42 per \$1,000.

TYPE OF TAX	MEASURE	RATE	RETURN DUE
Sales and Use Tax	Sale, rental or use of tangible personal property, including cigarettes, telecommunication services and certain fuel	5%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$100 — Annual filing \$101–1,200 — Quarterly filings \$1,201–25,000 — Monthly filings Over \$25,000 — Periodic payments, quarterly filings
Sales Tax on Meals, Prepared Food and All Beverages	All “restaurant” food and on-premises consumption of any beverages in any amount.	5%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$25,000 — Monthly filings Over \$25,000 — Monthly payments, quarterly filings
Business and Manufacturing Corporations	Net income Tangible property or net worth Minimum	9.5% ⁵ \$2.60 per \$1,000 \$456	15th day of third month after close of taxable year.
Estimated Tax	Liability in excess of \$1,000		Due quarterly as follows: 15th day of third month of taxable year — 40% ⁶ 15th day of sixth month of taxable year — 25% 15th day of ninth month of taxable year — 25% 15th day of twelfth month of taxable year — 10% ⁶
Security Corporation			
Non Bank Holding Co.	Gross income	0.33%	Same as business corporations.
Bank Holding Company	Gross income Minimum	1.32% \$456	
Financial Institutions			
Commercial Bank and Thrift Institution	Net income	12.13% ⁷	Same as business corporations.
Other Financial Institutions	Net income Minimum	10.50% \$456	
Public Utilities	Net income	6.5%	Same as business corporations.
Ship Excise Tax	Value (equity interest) of the corporation's interest in a ship or vessel engaged in interstate or foreign trade.	0.379%	Same as business corporations.
Insurance Company			
Domestic Life	Premiums Mass. net investment income	2.0% 14.0%	On or before March 15.
Foreign Life	Premiums	2.0%	
Domestic Casualty	Premiums Gross investment income	2.28% 1.0%	
Foreign Casualty	Premiums	2.28%	
Ocean Marine	Underwriting profit	5.7%	On or before May 15.
Marijuana and Controlled Substances Tax	Weight of marijuana Weight of controlled substance Dosage unit of controlled substance	\$3.50 per gram \$200 per gram \$2,000 per 50 dosage units	Payment due immediately upon acquisition or possession in Massachusetts by dealer. Payment evidenced by stamps purchased from the Commissioner.
Motor Vehicle garaged outside Massachusetts	90% to 10% of manufacturer's list price	\$25 per \$1,000	On or before 30 days from issuance of tax bill.

⁵ S corporations: 4.5% if total receipts \$9 million or more; 3% if total receipts are \$6 million or more but less than \$9 million.

⁶ 30% and 20% for corporations with fewer than 10 employees in their first full tax year.

⁷ Effective for the 1996 tax year the rate is 11.72%.

Revenue Collections

Fiscal Years 1992-1996

(In Thousands)	FY92	FY93	FY94	FY95	FY96	FY95-96 %Change
STATE TAXES COLLECTED BY DOR						
Tax on Personal Income						
TOTAL	\$5,336,957	\$5,374,911	\$ 5,689,768	\$ 5,974,201	\$ 6,706,870	12.3
Taxes on Business						
Corporations	\$ 643,755	\$ 737,354	\$ 782,284	\$ 910,965	\$ 876,341	(3.8)
Insurance Companies	277,102	272,492	281,521	284,270	284,905	0.2
Public Utilities	52,870	69,123	81,797	88,726	132,890	49.8
Commercial Banks	17,622	74,661	136,880	164,529	150,583	(8.5)
Savings Institutions	42,534	78,193	62,969	41,447	68,047	64.2
TOTAL	\$1,033,883	\$1,231,824	\$ 1,345,452	\$ 1,489,937	\$ 1,512,766	1.5
Taxes on Commodities Sold						
Motor Fuels	\$ 541,068	\$ 557,179	\$ 562,584	\$ 577,501	\$ 598,773	3.7
Cigarettes	139,856	190,185	237,307	234,163	232,845	(0.6)
Alcoholic Beverages	63,547	60,623	60,211	60,728	59,741	(1.6)
Sales & Use ¹	1,682,319	1,820,972	1,978,774	2,136,971	2,252,084	5.4
Sales on Meals	296,335	303,193	323,365	344,329	358,010	4.0
TOTAL	\$2,723,126	\$2,932,152	\$ 3,162,241	\$ 3,353,692	\$ 3,501,453	4.4
Other Taxes						
Estate & Inheritance	\$ 260,215	\$ 267,273	\$ 277,533	\$ 209,281	\$ 188,021	(10.2)
Room Occupancy Excise	55,864	59,291	62,819	68,825	72,857	5.9
Deeds Excise ²	32,443	33,492	38,643	40,163	42,679	6.3
Club Alcoholic Beverage Excise	1,128	908	787	605	525	0.0
Motor Vehicle Excise	195	148	310	173	102	0.0
Controlled Substances	—	—	1	0	0	314.0
TOTAL	\$ 349,845	\$ 361,111	\$ 380,093	\$ 319,047	\$ 304,184	(4.7)
Total State Taxes Collected by DOR	\$9,443,810	\$9,899,998	\$10,577,554	\$11,136,877	\$12,025,272	8.0

¹ Include sales and use tax on motor vehicles.

² Due to different accounting methods, amounts reported for the deeds excise differ from those amounts reported by the comptroller.

The figures contained herewith are DOR figures pending the comptroller's Comprehensive Annual Financial Report.

	FY92	FY93	FY94	FY95	FY96	FY95-96 %Change
LOCAL TAXES COLLECTED BY DOR ON BEHALF OF COMMUNITIES						
Urban Redevelopment	\$ 45,319	\$ 40,806	\$ 39,715	\$ 38,689	\$ 37,632	(2.7)
Local Option Airplane Jet Fuel	11,714	11,666	12,560	11,760	12,520	6.5
Local Option Room Occupancy	39,475	40,135	42,986	46,892	49,868	6.3
Total Local Taxes Collected by DOR on Behalf of Communities	\$ 96,508	\$ 92,608	\$ 95,262	\$ 97,341	\$ 100,020	2.8
OTHER REVENUE						
Utility & Insurance Assessments	\$ 4,487	\$ 8,000	\$ 5,738	\$ 7,055	\$ 8,598	21.9
Department Fees, Licenses, etc.	10,011	11,044	3,808	3,805	4,612	21.2
Commonwealth Liability Reduction Fund	—	—	—	—	—	NA
County Correction Fund — Deeds	4,835	1,670	5,650	5,844	6,204	6.2
Abandoned Deposits — Bottle	16,811	16,204	15,020	12,388	16,421	32.6
Total Other Revenue	\$ 36,143	\$ 36,919	\$ 30,216	\$ 29,091	\$ 35,836	23.2
STATE TAXES COLLECTED BY OTHER AGENCIES						
Horse & Dog Racing	\$ 26,089	\$ 15,666	\$ 14,155	\$ 13,996	\$ 11,377	(18.7)
Beano and Boxing	4,888	4,662	4,389	4,270	3,887	(9.0)
Raffles/Bazaars	1,222	1,143	1,085	1,094	999	(8.6)
Special Insurance Brokers	7,707	7,960	8,747	8,384	9,234	10.1
Re-emp. & Job Placement Fund	177	—	—	0	0	NA
Total State Taxes Collected by Other Agencies	\$ 40,082	\$ 29,432	\$ 28,375	\$ 27,743	\$ 25,497	(8.1)
TAXES ON PROPERTY COLLECTED BY LOCAL GOVERNMENT						
Real Estate	\$ 4,818,706	\$ 5,006,995	\$ 5,194,156	\$ 5,402,491	\$ 5,611,382	3.9
Personal Property	199,000	242,681	270,259	298,575	309,312	3.6
Motor Vehicles	281,484	320,182	307,407	381,436	339,937	(10.9)
Total Taxes on Property Collected by Local Government	\$ 5,299,190	\$ 5,569,858	\$ 5,771,822	\$ 6,082,502	\$ 6,260,631	2.9
TOTAL ALL TAXES	\$14,915,733	\$15,628,815	\$16,503,229	\$17,373,554	\$18,447,256	6.2

Because of rounding, detail may not add to Totals.

The figures contained herewith are DOR figures pending the comptroller's Comprehensive Annual Financial Report.

Offers in Final Settlement Fiscal Year 1996

Under M.G.L. c. 62C, sec. 37A, the Commissioner of Revenue has the authority, under specific conditions, to accept less than full payment as a final settlement for a state tax liability. The statutory condition for such settlement is "serious doubt" as to collectibility of the tax due or the taxpayer's liability for it. The Commissioner must also determine that the taxpayer or responsible person has acted without intent to defraud. The settlement must be recommended to the Commissioner by at least two deputy commissioners.

The written agreement, signed by all parties and including the reasons for settlement, is a public record. In cases where the liability is reduced by more than half, or by \$20,000 or more, the Attorney General of the Commonwealth must review the settlement and has the authority to object to it.

The law requires that a listing of all settlements entered into during the fiscal year be included in the Commissioner's annual report. In Fiscal Year 1996, 26 settlements were made. Twenty-one were reviewed by the Attorney General. The Department rejected 221 other offers.

The cases approved were as follows:

NAME	TOTAL TAX, INT. & PEN.	AMOUNT PAID IN SETTLEMENT	AMOUNT ABATED
Athanas, Christo	\$ 32,811	\$ 21,000	\$ 11,811
Cheung, Shen Wai	52,181	25,000	27,181
Cheung, Wai Ming	59,205	25,000	34,205
Correnti, Roy	19,903	6,000	13,903
Curreri, Frank, responsible person of Video, Inc.	28,976	10,000	18,976
Deane, Richard	4,528	1,441	3,087
Dignan, Michael & Joan	3,642	2,700	942
Ennen, Thomas	18,490	3,000	15,490
Fossett, Benjamin & Deborah	12,193	3,000	9,193
Holden, Peter	11,829	2,500	9,329
Howar, Robert, Estate	31,227	7,033	24,194
Lanczycki, Richard J.	4,594	1,200	3,394
Mazzola, Thomas	10,160	2,000	8,160
New Belden Tavern, Inc.	62,689	27,000	35,689
Omni Heating & Engineering	11,160	5,609	5,551
Pacl, Diane	8,662	2,500	6,162
Pam-Dam, Inc.	7,684	4,403	3,281
Profetto, Gloria, and Swanson, Susan, d/b/a, Taco Wagon and are responsible persons of Taco Heaven, Inc.	21,603	3,750	14,103
Reason, Nanci Welch	762	150	612
Rent-All-Depot, Inc.	23,032	12,823	10,209
Sohl, Kenneth & Dorothy	21,296	7,000	14,296
Sollima, Allen E., responsible person of A & E Excavating Co., Inc.	7,900	3,000	4,900
St. Peter, Roger & Maureen	13,560	4,000	9,560
Van Hoven, Kent, responsible person of Acorn, Inc.	5,386	2,157	3,229
Walsh, Ann Marie	18,924	3,043	15,881
TOTAL	\$492,397	\$189,059	\$303,338

Because of rounding, detail may not add to Totals.

The figures contained herewith are DOR figures pending the comptroller's Comprehensive Annual Financial Report.

Collection Agencies

Fiscal Year 1996

Chapter 209 of the Acts of 1988 permits the Commissioner of Revenue to use private collection agencies to collect unpaid state taxes. The Commissioner is required to notify all taxpayers whose accounts are to be assigned to a collection agency at least 30 days beforehand.

The law requires that the Commissioner list all agencies with whom collection agreements exist, the amount of taxes collected and the amount of compensation paid in the Department's annual report. They are as follows:

CONTRACTOR	TOTAL COLLECTED	FEES PAID	NET TO DOR
Capital Credit Corp.	\$ 4,799,599	\$ 934,403	\$ 3,865,196
GC Services	3,598,193	507,841	3,090,352
Payco-General	3,996,898	767,303	3,229,595
TOTAL	\$12,394,690	\$2,209,547	\$10,185,143

Because of rounding, detail may not add to Totals.

The figures contained herewith are DOR figures pending the comptroller's Comprehensive Annual Financial Report.

Cherry Sheet Receipts

Fiscal Year 1996

For Cities, Towns and Regional School Districts (In Millions)

ITEM RECEIPTS	FY92	FY93	FY94	FY95	FY96	FY95-96 \$Change
CITIES AND TOWNS						
Reimbursements						
Loss of Taxes, all programs	\$ 19.4	\$ 25.8	\$ 25.8	\$ 25.3	\$ 25.2	\$ (0.1)
Veterans' Benefits	12.8	13.7	12.9	11.7	9.9	(1.8)
Pensions to Retired Teachers	26.4	27.9	28.0	34.0	34.8	0.8
Urban Renewal, 3 programs	1.2	1.1	1.1	2.7	2.6	(0.1)
School Transportation, 2 programs	56.2	56.1	56.8	56.8	56.5	(0.3)
Public Libraries, 2 programs	15.3	15.2	18.6	18.7	18.7	0.0
School Construction & Repair	123.1	123.1	137.6	146.8	146.0	(0.8)
Racial Imbalance, 3 programs	23.6	23.6	23.6	23.5	23.4	(0.1)
School Lunch	4.5	4.5	4.5	4.5	4.4	(0.1)
Other Programs	101.7	268.4	32.8	14.9	16.7	1.8
TOTAL REIMBURSEMENTS	\$ 384.2	\$ 559.4	\$ 341.7	\$ 338.9	\$ 338.2	\$ (0.7)
Distributions						
Chapter 70	\$ 789.3	\$ 789.3	\$ 1,159.9	\$ 1,300.4	\$ 1,486.4	\$ 186.0
Lottery, Beano, etc.	306.0	329.0	329.0	391.6	442.6	51.0
Additional Assistance	475.3	476.3	476.3	476.3	476.3	0.0
Highway Fund	78.8	43.1	43.5	43.5	43.5	0.0
County Jail Grants	21.6	—	—	—	—	0.0
TOTAL DISTRIBUTIONS	\$ 1,671.0	\$ 1,637.7	\$ 2,008.7	\$ 2,211.8	\$ 2,448.8	\$ 237.0
Total Receipts — Cities and Towns	\$ 2,055.2	\$ 2,197.1	\$ 2,350.4	\$ 2,550.7	\$ 2,787.0	\$ 236.3
REGIONAL SCHOOL DISTRICTS						
Reimbursements						
Regional School District Aid	\$ 98.6	\$ 100.4	—	—	—	\$ 0.0
School Transportation	28.0	28.4	27.7	27.8	28.1	0.3
School Construction and Repair	21.2	21.9	21.2	21.8	24.6	2.8
Other Programs	13.3	36.0	1.5	2.0	2.5	0.5
TOTAL REIMBURSEMENTS	\$ 161.1	\$ 186.7	\$ 50.4	\$ 51.6	\$ 55.2	\$ 3.6
Distributions						
Chapter 70	\$ 108.8	\$ 108.8	\$ 273.0	\$ 322.1	\$ 345.3	\$ 23.2
Total Receipts — Regions	\$ 269.9	\$ 295.5	\$ 323.4	\$ 373.7	\$ 400.5	\$ 26.8
TOTAL DIRECT AID	\$ 2,325.1	\$ 2,492.6	\$ 2,673.8	\$ 2,924.4	\$ 3,187.5	\$ 263.1

The figures contained herewith are DOR figures pending the comptroller's Comprehensive Annual Financial Report.

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Massachusetts Department of Revenue Annual Report 1997

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The Computerworld Smithsonian Award for Innovation in Information Technology

The Smithsonian Institution, Washington, D.C.

June 10, 1997



Mitchell Adams, Commissioner and Frederick Laskey, Senior Deputy Commissioner standing l to r:

Vincent Piccinni, Deputy Commissioner, Information Services Organization

Bernard Crowley, First Deputy Commissioner of Administration

Donald Evans, First Deputy Commissioner and General Counsel

Joseph Chessey, Deputy Commissioner, Division of Local Services

Robert Nevins, Deputy Commissioner, Research & Development Division

Joel Brodsky, Acting Deputy Commissioner, Enforcement Division

seated l to r:

Jerry Fay, Deputy Commissioner, Child Support Enforcement Division

Amy Pitter, Deputy Commissioner, Taxpayer Service Division

Alan Golobski, Deputy Commissioner, Processing Division

Dear Taxpayer



Our economy seems transformed and we have enjoyed one of the longest sustained expansions in our lifetimes. One of the factors responsible, perhaps the most potent, is the increase in labor productivity due to information technology. This is the factor that has transformed the Department of Revenue. All of our critical performance measures have improved while our staffing has been reduced almost 30 percent. Pioneering computer systems have leveraged our human resources as never before. Six years ago we brought in \$4.5 million per full-time employee. Last year this figure had virtually doubled to \$8.5 million. But it isn't just computers. We couldn't have done this without people, and we have the finest team in state government.

Sincerely,

A stylized, handwritten signature in blue ink, appearing to read "Mitchell Adams".

Mitchell Adams
Commissioner

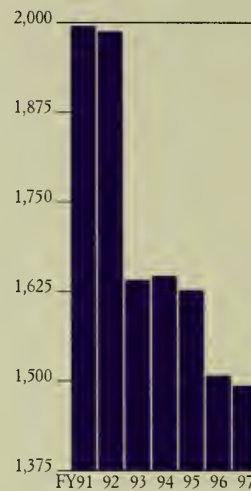
A handwritten signature in blue ink, appearing to read "Frederick Laskey".

Frederick Laskey
Senior Deputy Commissioner

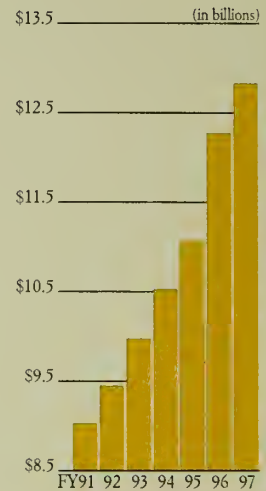
Cover: The Computerworld Smithsonian Awards, an international competition, recently recognized the Massachusetts Department of Revenue for its vision and leadership in the use of information technology. The Massachusetts DOR won the 1997 competition in the government and non-profit category for its imaging and TELEFILE tax filing systems.

The Department of Revenue has become smaller and leaner while revenue has grown, and other major performance indicators have improved.

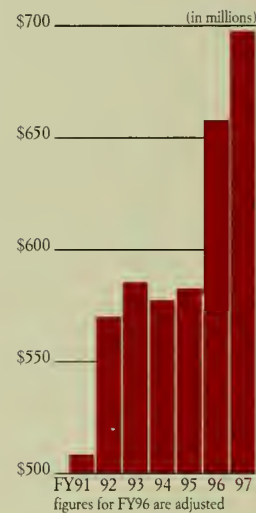
WORKFORCE



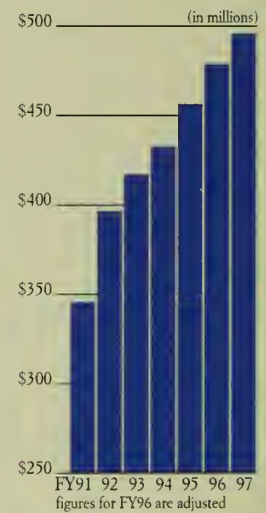
REVENUE



ASSESSMENTS



COLLECTION OF DELINQUENT TAXES

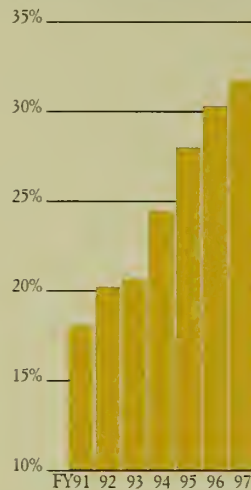


Audit assessments continue to increase, supported by an array of new information technologies. One of them analyzes huge volumes of data, reducing the average labor required for a large corporate audit from 600 to 250 hours. Comparable labor efficiencies have been demonstrated in the collection of delinquent taxes. Our TELEFILE, Imaging, and voice response systems continue to increase the efficiency of DOR employees and improve service to taxpayers. Last year waiting time on our taxpayer service lines, even at peak tax filing time, approached zero. A record 500,000 taxpayers received their refunds in four days, sometimes three.

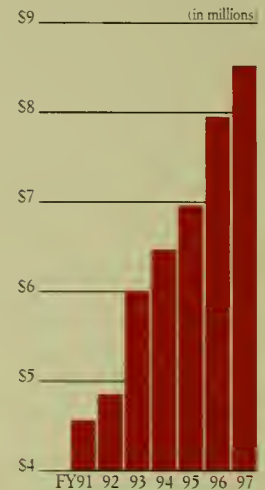


The relationship between the two charts at right is revealing and best describes the transformation. As the percentage of total resources dedicated to information technology has steadily increased, basic productivity has soared.

PERCENTAGE OF TOTAL BUDGET DEDICATED TO INFORMATION TECHNOLOGY



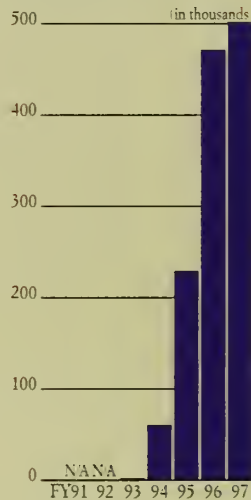
PRODUCTIVITY (REVENUE PER EMPLOYEE)



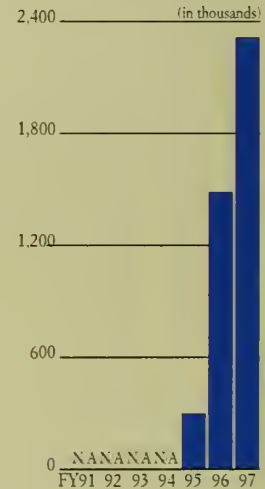
Four of our new technologies



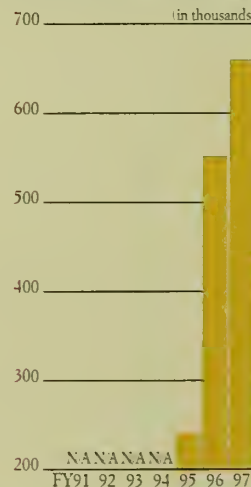
TAX RETURNS FILED ELECTRONICALLY AND BY TELEFILE



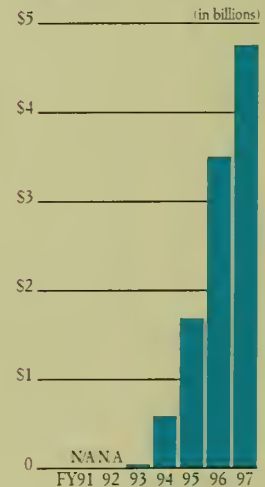
TAX RETURNS PROCESSED BY IMAGING



CUSTOMER CONTACTS MANAGED BY INTERACTIVE VOICE RESPONSE SYSTEMS



TAX RECEIPTS BY ELECTRONIC FUNDS TRANSFER



These four new technologies are revolutionizing the way tax administration is conducted by moving toward a paperless system for receiving tax information, by converting the payment routine to an electronic process, and by using “speaking” computers to meet the service needs of our taxpayers efficiently.

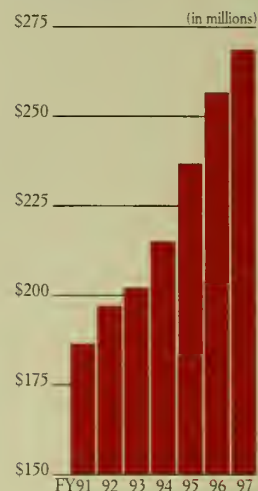
Our goal is to continually find the newest technologies which can do our work better, faster and at lower cost.

We have established an entire division within DOR, the Research and Development unit, whose mission is to find, develop and implement these technologies.

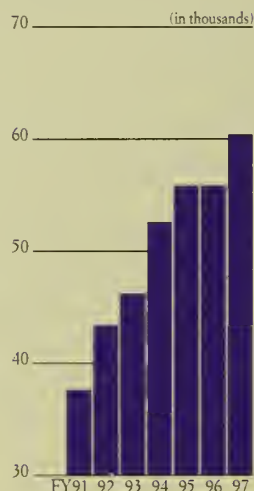


Information technology has transformed Child Support Enforcement as well. Two-thirds of all collections are now received by computerized wage garnishment. Critical performance measures have improved steadily.

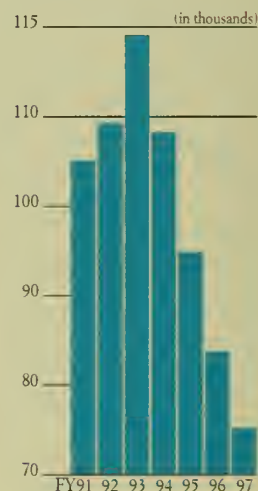
**TOTAL CHILD SUPPORT
ENFORCEMENT
COLLECTIONS**



**FAMILIES RECEIVING
CHILD SUPPORT**



**WELFARE (AFDC)
CASELOAD**

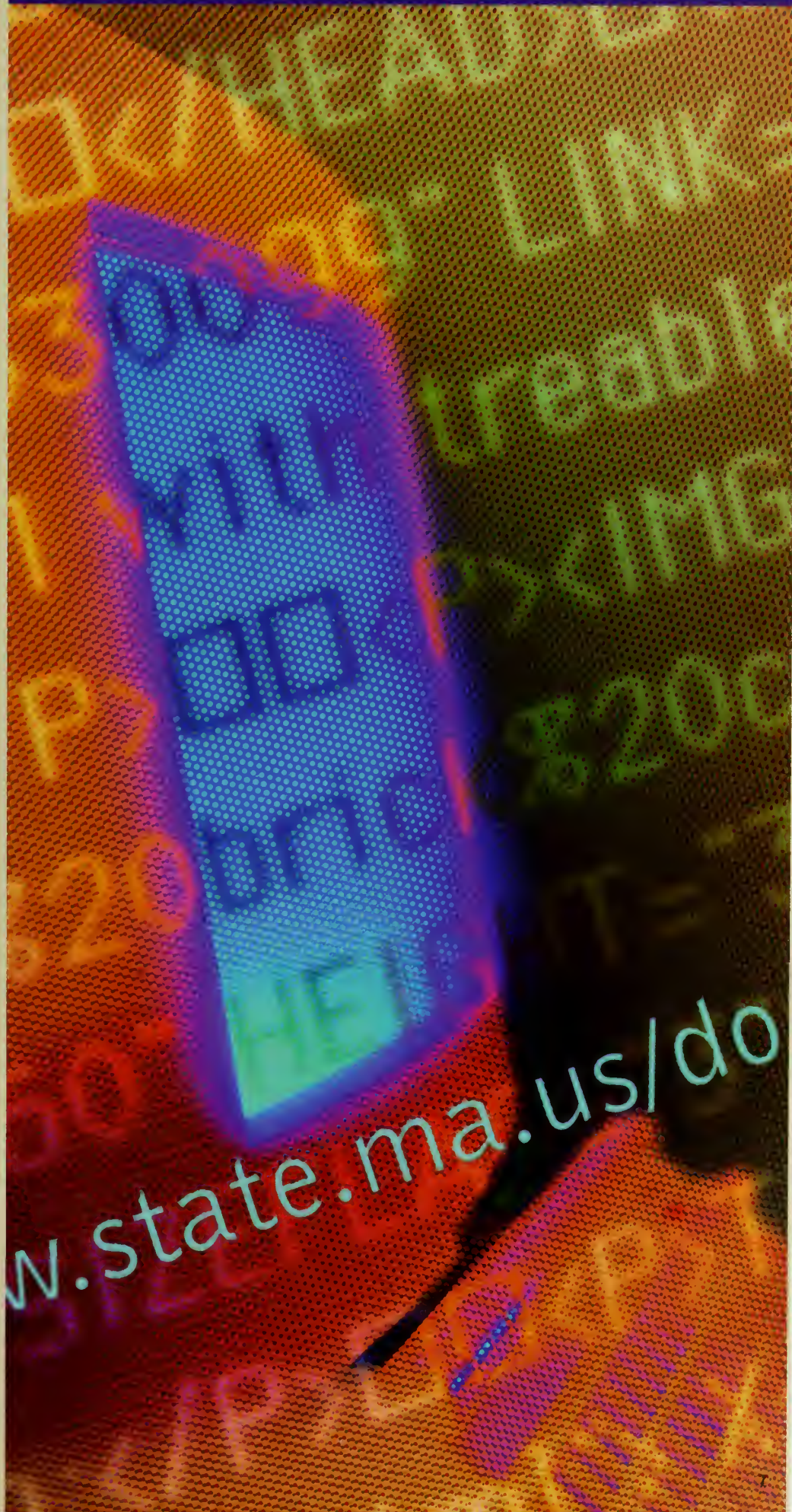


Child Support Enforcement is one of several factors affecting welfare caseload. Others include welfare reform measures, economic conditions, etc.



DOR's Child Support Enforcement

Division is a model for the nation, because Massachusetts adopted the toughest laws in the country and implemented innovative and award-winning information technologies. With a staggering caseload of more than 230,000, significant performance gains could only be made by harnessing the power of computers. However, computers have limits. DOR's Individual Case Enforcement (ICE) Team conducts high visibility enforcement initiatives, including the "Ten Most Wanted" poster campaigns, in which 41 of 45 deadbeats have been arrested and forced to pay almost \$900,000 in delinquent child support. Last year alone, the ICE Team seized 23 cars and boats and made 220 arrests.



The Taxes Fiscal Year 1997

TYPE OF TAX	MEASURE	RATE ¹	RETURN DUE
Personal Income and Fiduciary Income	Dividends, net capital gains, ² interest other than	12.0%	On or before April 15 for calendar year filings.
	Mass. bank interest and interest received by pawnbrokers		The 15th day of the 4th month for fiscal filings.
	Other income	5.95%	
Nonresident	Mass. source income		
Estimated Tax	Liability in excess of \$200		Due quarterly on or before the 15th day of April; June, September and January.
Withholding	Wages	5.95%	Varies depending on amount of tax withheld in calendar year. If annual withholding: Up to \$100 — Annual filing \$101–1,200 — Quarterly filings \$1,201–25,000 — Monthly filings Over \$25,000 — Quarterly filings, weekly payments
Estate ³	Taxable estate (after expenses, debts, losses, exemptions, charitable and marital deductions)	5% to 16%	Within 9 months after the date of the decedent's death.
Nonresident	Mass. real and tangible property		
Alcoholic Beverages	Malt (31-gal. bbl.)	\$3.30	Monthly, on or before the 20th day of the month.
	Cider 3%–6% (wine gal.)	\$.03	
	Still wine 3%–6% (wine gal.)	\$.55	
	Sparkling wine (wine gal.)	\$.70	
	Alcoholic beverages 15% or less (wine gal.)	\$1.10	
	Alcoholic beverages more than 15%–50% (wine gal.)	\$4.05	
	Alcoholic beverages more than 50% or alcohol (proof gal.)	\$4.05	
Cigarettes	20-Count package	\$.51 ⁴	Monthly, on the 20th day of the month. Unclassified importers must file upon importation or acquisition.
	Smokeless tobacco (percentage of price paid by licensee)	50% ⁴	Quarterly, on or before the 20th day following the close of the tax period.
	Cigars (percentage of price paid by licensee)	15%	
Deeds	Sales price (less mortgage assumed) of real estate	\$2.28 ⁵ per \$500	Monthly, on or before the 10th day of the month (filed by Registers of Deeds).
Motor Fuels	Gasoline and diesel fuel per gallon	19.1%	Monthly, on or before the 20th day of the month.
	Average wholesale price (21¢ minimum)		
	Propane, liquified gas, etc. (no minimum)	19.1%	
	Aviation (10¢ minimum)	7.5%	
	Jet fuel at local option (5¢ minimum)	5%	
Room Occupancy	Transient room occupancy	5.7%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$25,000 — Monthly filings Over \$25,000 — Monthly payments, quarterly filings
	At local option, up to	4.0%	
Club Alcoholic Beverages	Gross receipts	0.57%	On or before April 15.

¹ Tax rates as of August 1, 1996.

² Effective for the 1996 tax year, the capital gains tax is 5% for assets (other than collectibles) held for more than one year. Effective for the 1997 tax year, short-term capital gains are taxed at 12%, gains on property (other than collectibles) held more than two years are taxed at 4% and if held one to two years are taxed at 5%.

³ An alternate computation of the estate tax is used if it results in a lower tax: 20% of Massachusetts net estate less \$600,000 exemption. On January 1, 1997 the estate tax becomes a sponge tax measured by the federal state death tax credit. The rate, as of 1/1/97, is between 0.8% to 16%.

⁴ Effective 10/1/96 the rate is \$.76 for cigarettes and 75% for smokeless tobacco.

⁵ In Barnstable County, the rate is \$3.42 per \$1,000.

TYPE OF TAX	MEASURE	RATE	RETURN DUE
Sales and Use Tax	Sale, rental or use of tangible personal property, including cigarettes, telecommunication services and certain fuel	5%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$100 — Annual filing \$101–1,200 — Quarterly filings \$1,201–25,000 — Monthly filings Over \$25,000 — Periodic payments, quarterly filings
Sales Tax on Meals, Prepared Food and All Beverages	All “restaurant” food and on-premises consumption of any beverages in any amount.	5%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$25,000 — Monthly filings Over \$25,000 — Monthly payments, quarterly filings
Business and Manufacturing Corporations	Net income Tangible property or net worth Minimum	9.5% ⁶ \$2.60 per \$1,000 \$456	15th day of third month after close of taxable year.
Estimated Tax	Liability in excess of \$1,000		Due quarterly as follows: 15th day of third month of taxable year — 40% ⁷ 15th day of sixth month of taxable year — 25% 15th day of ninth month of taxable year — 25% 15th day of twelfth month of taxable year — 10% ⁷
Security Corporation			
Non Bank Holding Co.	Gross income	0.33%	Same as business corporations.
Bank Holding Company	Gross income	1.32%	
	Minimum	\$456	
Financial Institutions			
Commercial Bank and Thrift Institution	Net income	11.72% ⁸	Same as business corporations.
Other Financial Institutions	Net income	10.50%	
	Minimum	\$456	
Public Utilities	Net income	6.5%	Same as business corporations.
Ship Excise Tax	Value (equity interest) of the corporation's interest in a ship or vessel engaged in interstate or foreign trade.	0.379%	Same as business corporations.
Insurance Company			
Domestic Life	Premiums	2.0%	On or before March 15.
	Mass. net investment income	14.0%	
Foreign Life	Premiums	2.0%	
Domestic Casualty	Premiums	2.28%	On or before May 15.
	Gross investment income	1.0%	
Foreign Casualty	Premiums	2.28%	
Ocean Marine	Underwriting profit	5.7%	
Marijuana and Controlled Substances Tax	Weight of marijuana Weight of controlled substance Dosage unit of controlled substance	\$3.50 per gram \$200 per gram \$2,000 per 50 dosage units	Payment due immediately upon acquisition or possession in Massachusetts by dealer. Payment evidenced by stamps purchased from the Commissioner.
Motor Vehicle garaged outside Massachusetts	90% to 10% of manufacturer's list price	\$25 per \$1,000	On or before 30 days from issuance of tax bill.

⁶S corporations: 4.5% if total receipts \$9 million or more; 3% if total receipts are \$6 million or more but less than \$9 million.

⁷30% and 20% for corporations with fewer than 10 employees in their first full tax year.

⁸Effective for the 1997 tax year the rate is 11.32%.

Revenue Collections Fiscal Years 1993-1997

(In Thousands)	FY93	FY94	FY95	FY96	FY97	FY96-97 %Change
STATE TAXES COLLECTED BY DOR						
Tax on Personal Income						
TOTAL	\$5,374,911	\$ 5,689,768	\$ 5,974,201	\$ 6,706,870	\$ 7,181,821	7.1
Taxes on Business						
Corporations	\$ 737,354	\$ 782,284	\$ 910,965	\$ 876,341	\$ 963,873	10.0
Insurance Companies	272,492	281,521	284,270	284,905	289,272	1.5
Public Utilities	69,123	81,797	88,726	132,890	109,220	(17.8)
Commercial Banks	74,661	136,880	164,529	150,583	98,984	(34.3)
Savings Institutions	78,193	62,969	41,447	68,047	41,249	(39.4)
TOTAL	\$1,231,824	\$ 1,345,452	\$ 1,489,937	\$ 1,512,766	\$ 1,502,598	(0.7)
Taxes on Commodities Sold						
Motor Fuels	\$ 557,179	\$ 562,584	\$ 577,501	\$ 598,773	\$ 602,841	0.7
Cigarettes	190,185	237,307	234,163	232,845	281,708	21.0
Alcoholic Beverages	60,623	60,211	60,728	59,741	60,302	0.9
Sales & Use ¹	1,820,972	1,978,774	2,136,971	2,252,083	2,494,702	10.8
Sales on Meals	303,193	323,365	344,329	358,010	381,364	6.5
TOTAL	\$2,932,152	\$ 3,162,241	\$ 3,353,692	\$ 3,501,453	\$ 3,820,916	9.1
Other Taxes						
Estate & Inheritance	\$ 267,273	\$ 277,533	\$ 209,281	\$ 188,021	\$ 202,707	7.8
Room Occupancy Excise	59,291	62,819	68,825	72,857	80,544	10.6
Deeds Excise ²	33,492	38,643	40,163	42,679	48,332	13.2
Club Alcoholic Beverage Excise	908	787	605	525	578	10.1
Motor Vehicle Excise	148	310	173	102	128	25.9
Controlled Substances	—	1	0	0	0	0.0
TOTAL	\$ 361,111	\$ 380,093	\$ 319,047	\$ 304,183	\$ 332,288	9.2
Total State Taxes Collected by DOR	\$9,899,998	\$10,577,554	\$11,136,877	\$12,025,272	\$12,837,623	6.8

¹Include sales and use tax on motor vehicles.

²Due to different accounting methods, amounts reported for the deeds excise differ from those amounts reported by the Comptroller.

Because of rounding, detail may not add to Totals.

The figures contained herewith are DOR figures pending the Comptroller's Fiscal Year 1997 Statutory Basis Annual Financial Report.

	FY93	FY94	FY95	FY96	FY97	FY96-97 %Change
LOCAL TAXES COLLECTED BY DOR ON BEHALF OF COMMUNITIES						
Urban Redevelopment	\$ 40,806	\$ 39,715	\$ 38,689	\$ 37,632	\$ 38,317	1.8
Local Option Airplane Jet Fuel	11,666	12,560	11,760	12,520	13,059	4.3
Local Option Room Occupancy	40,135	42,986	46,892	49,868	55,599	11.5
Total Local Taxes Collected by DOR on Behalf of Communities	\$ 92,608	\$ 95,262	\$ 97,341	\$ 100,020	\$ 106,976	7.0
OTHER REVENUE						
Utility & Insurance Assessments	\$ 8,000	\$ 5,738	\$ 7,055	\$ 8,598	\$ 3,386	(60.6)
Department Fees, Licenses, etc.	11,044	3,808	3,805	4,612	6,604	43.2
County Correction Fund — Deeds	1,670	5,650	5,844	6,204	6,969	12.3
Abandoned Deposits — Bottle	16,204	15,020	12,388	16,421	17,213	4.8
Total Other Revenue	\$ 36,919	\$ 30,216	\$ 29,091	\$ 35,836	\$ 34,172	(4.6)
STATE TAXES COLLECTED BY OTHER AGENCIES						
Horse & Dog Racing	\$ 15,666	\$ 14,155	\$ 13,996	\$ 11,377	\$ 10,185	(10.5)
Beano and Boxing	4,662	4,389	4,270	3,954	3,778	(4.4)
Raffles/Bazaars	1,143	1,085	1,094	1,024	1,023	(0.1)
Special Insurance Brokers	7,960	8,747	8,384	9,234	8,484	(8.1)
Total State Taxes Collected by Other Agencies	\$ 29,432	\$ 28,375	\$ 27,743	\$ 25,589	\$ 23,471	(8.3)
TAXES ON PROPERTY COLLECTED BY LOCAL GOVERNMENT						
Real Estate	\$ 5,006,995	\$ 5,194,156	\$ 5,402,459	\$ 5,611,382	\$ 5,838,099	4.0
Personal Property	242,681	270,259	298,608	309,312	322,086	4.1
Motor Vehicles	320,182	307,407	381,495	381,538	358,852	(5.9)
Total Taxes on Property Collected by Local Government	\$ 5,569,858	\$ 5,771,822	\$ 6,082,562	\$ 6,302,232	\$ 6,519,037	3.4
TOTAL ALL TAXES	\$15,628,815	\$16,503,229	\$17,373,614	\$18,488,949	\$19,521,279	5.6

Because of rounding, detail may not add to Totals.

The figures contained herewith are DOR figures pending the Comptroller's Fiscal Year 1997 Statutory Basis Annual Financial Report.

Offers in Final Settlement Fiscal Year 1997

Under M.G.L. c. 62C, sec. 37A, the Commissioner of Revenue has the authority, under specific conditions, to accept less than full payment as a final settlement for a state tax liability. The statutory condition for such settlement is "serious doubt" as to collectibility of the tax due or the taxpayer's liability for it. The Commissioner must also determine that the taxpayer or responsible person has acted without intent to defraud. The settlement must be recommended to the Commissioner by at least two deputy commissioners.

The written agreement, signed by all parties and including the reasons for settlement, is a public record. In cases where the liability is reduced by more than half, or by \$20,000 or more, the Attorney General of the Commonwealth must review the settlement and has the authority to object to it.

The law requires that a listing of all settlements entered into during the fiscal year be included in the Commissioner's annual report. In Fiscal Year 1997, 42 settlements were made. All 42 were reviewed by the Attorney General. The Department rejected 130 other offers.

The cases approved were as follows:

NAME	TOTAL TAX, INT. & PEN.	AMOUNT PAID IN SETTLEMENT	AMOUNT ABATED
Anderson, Robert G.	\$ 14,697	\$ 7,000	\$ 7,697
Bizzaro, William & Louise, responsible persons of Expo Media, Inc.	14,848	6,000	8,848
Bridgewater Reconditioning	6,471	1,368	5,103
Burton, David A.	159,312	80,000	79,312
CommEd Duplicating System	73,420	42,000	31,420
Cyr, Lisa M., responsible person of On The Avenue Restaurant	72,259	15,000	57,259
Dennehy, John S. Jr.	15,602	3,000	12,602
Derrico, Mark	9,377	2,500	6,877
Ennis, Steven B.	4,672	800	3,872
Estate of Bertha Moore	23,779	10,158	13,621
Frick, Rodney Allen	3,258	500	2,758
Gray, Robert	16,477	5,000	11,477
Griffith, Brian, responsible person of Two Wheel Drive, Ltd.	24,150	4,000	20,150
Grossman, Jeffrey, responsible person of The Back Store, Inc.	40,326	7,000	33,326
Jacobson, David M.	7,422	1,500	5,922
Keane, James M. and Kelley, James M., d/b/a Colorado Public Library and are responsible persons of KKM, Inc.	135,366	20,000	95,366
Kelley, Charles J. Jr.	16,360	4,000	12,360
Kirkland, Kenneth	31,096	2,000	29,096
Ladue, James J. Sr.	8,714	2,000	6,714
Lewis, Estate of Samuel M.	38,209	2,000	36,209
Lombard, Joseph N.	1,958	500	1,458
Lull, Thomas & Gail	29,854	5,500	24,354
Lynch, Susan	22,651	3,000	19,651
Maloof, William	26,806	18,000	8,806
McEachern, Mary	2,085	200	1,885
McIntyre, Bruce	36,225	10,000	26,225
Mennett, Paul & Toni	4,451	500	3,951
Newson, Anthony	5,062	500	4,562
Odyssey Two, Inc.	68,072	38,000	30,072

NAME	TOTAL TAX, INT. & PEN.	AMOUNT PAID IN SETTLEMENT	AMOUNT ABATED
Peck, Albert & Alice	17,627	7,000	10,627
Perperian, Vartkes A.	78,750	4,000	74,750
Reginald Sims, Estate	12,430	956	11,474
Romano, Michael & Darlene	6,431	500	5,931
Sernad Systems, Inc.	28,890	8,000	20,890
Sklaver, William & Marjorie	6,322	1,200	5,122
Smith, Leonard C.	35,793	5,000	30,793
Spear, Woodrow & Natalie	11,977	3,500	8,477
St. Joseph's Club of Westfield	21,017	10,000	11,017
Stacy, Robert H.	4,150	1,200	2,950
Sylvia, Lionel	4,486	1,000	3,486
Warren, John M.	20,722	4,500	16,222
TOTAL	\$1,161,574	\$358,882	\$802,692

Because of rounding, detail may not add to Totals.

The figures contained herewith are DOR figures pending the Comptroller's Fiscal Year 1997 Statutory Basis Annual Financial Report.

Collection Agencies Fiscal Year 1997

Chapter 209 of the Acts of 1988 permits the Commissioner of Revenue to use private collection agencies to collect unpaid state taxes. The Commissioner is required to notify all taxpayers whose accounts are to be assigned to a collection agency at least 30 days beforehand.

The law requires that the Commissioner list all agencies with whom collection agreements exist, the amount of taxes collected and the amount of compensation paid in the Department's annual report. They are as follows:

CONTRACTOR	TOTAL COLLECTED	FEES PAID	NET TO DOR
Capital Credit Corp.	\$ 3,660,241	\$ 716,609	\$2,943,632
GC Services	4,795,864	577,197	4,218,667
Payco-General	1,968,399	381,598	1,586,801
TOTAL	\$10,424,503	\$1,675,403	\$8,749,100

Because of rounding, detail may not add to Totals.

The figures contained herewith are DOR figures pending the Comptroller's Fiscal Year 1997 Statutory Basis Annual Financial Report.

Massachusetts Department of Revenue



"...the finest team in state government"

massachusetts
department of revenue

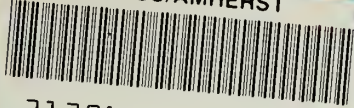
ANNUAL REPORT 1998
GOVERNMENT DOCUMENTS
COLLECTION

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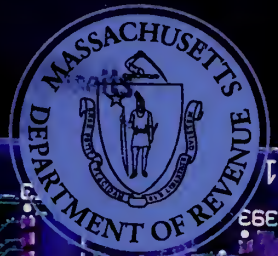
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UMASS/AMHERST



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dear **taxpayer**



THE DEPARTMENT OF REVENUE IS NO LONGER A LABOR-INTENSIVE, PAPER-LADEN BUREAUCRACY. IT IS A STATE-OF-THE-ART PROCESSING CENTER WHERE INFORMATION TECHNOLOGY IS USED TO ITS FULLEST TO LEVERAGE HUMAN CAPITAL. SINCE FY91, OUR WORKFORCE HAS BEEN REDUCED 30%, PRODUCTIVITY HAS DOUBLED, AND PERFORMANCE HAS IMPROVED IN ALL CRITICAL MEASURES.

SERVICE TO TAXPAYERS, OUR CENTRAL MISSION, HAS IMPROVED GREATLY. WAITING TIME TO REACH A SERVICE REPRESENTATIVE BY TELEPHONE, EVEN DURING TAX SEASON, HAS BEEN REDUCED TO ALMOST ZERO, AND REFUNDS WERE RETURNED TO TAXPAYERS LAST YEAR IN RECORD TIME—MANY IN 48 HOURS.

BUT IT ISN'T JUST COMPUTERS. WE COULDN'T HAVE DONE THIS WITHOUT PEOPLE, AND WE HAVE THE FINEST TEAM IN STATE GOVERNMENT.

SINCERELY,

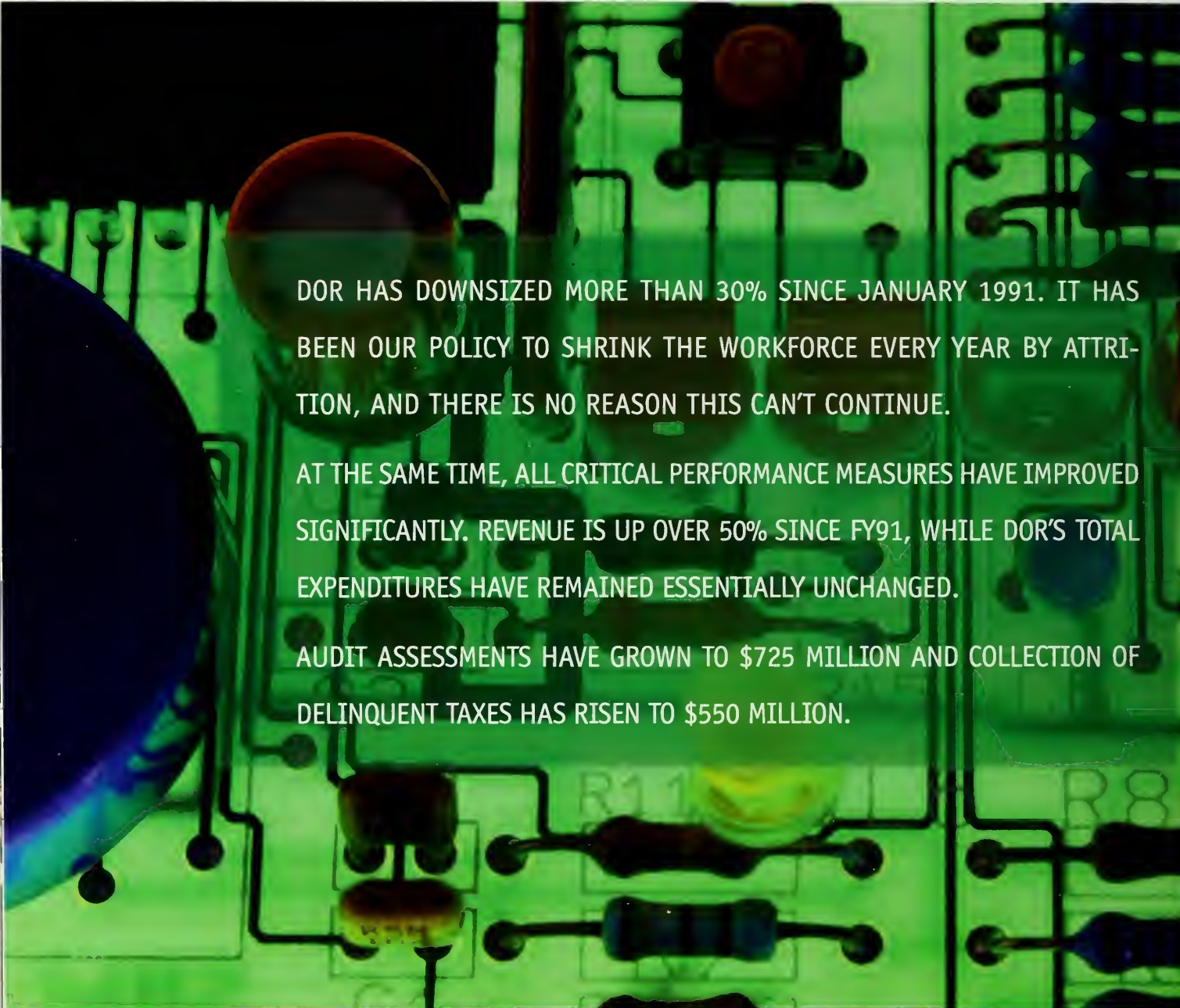
A stylized, handwritten signature in white ink, appearing to read 'Mitchell Adams'.

MITCHELL ADAMS, COMMISSIONER

A handwritten signature in white ink, appearing to read 'Frederick Laskey'.

FREDERICK LASKEY, SENIOR DEPUTY COMMISSIONER





DOR HAS DOWNSIZED MORE THAN 30% SINCE JANUARY 1991. IT HAS BEEN OUR POLICY TO SHRINK THE WORKFORCE EVERY YEAR BY ATTRITION, AND THERE IS NO REASON THIS CAN'T CONTINUE.

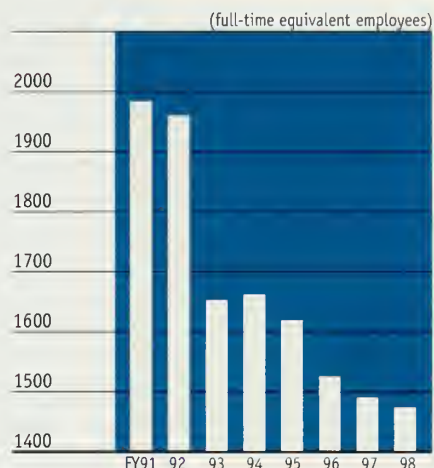
AT THE SAME TIME, ALL CRITICAL PERFORMANCE MEASURES HAVE IMPROVED SIGNIFICANTLY. REVENUE IS UP OVER 50% SINCE FY91, WHILE DOR'S TOTAL EXPENDITURES HAVE REMAINED ESSENTIALLY UNCHANGED.

AUDIT ASSESSMENTS HAVE GROWN TO \$725 MILLION AND COLLECTION OF DELINQUENT TAXES HAS RISEN TO \$550 MILLION.

downsizing and performance

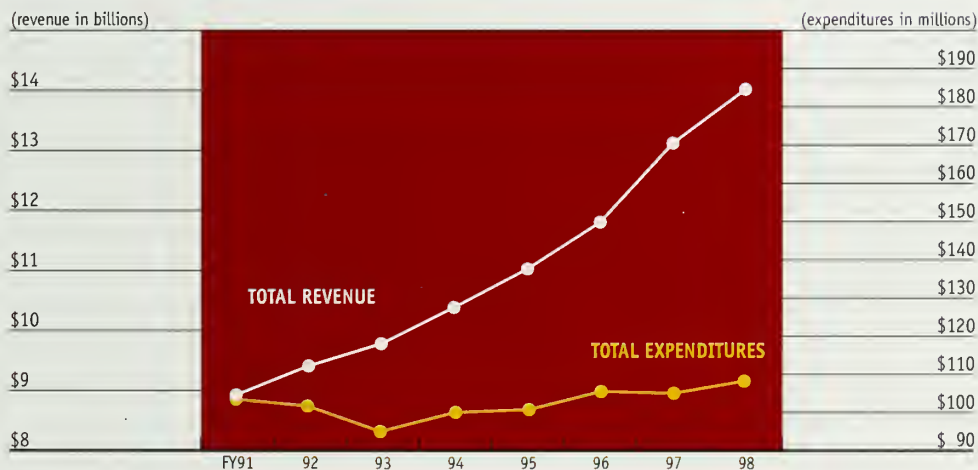
Downsizing

Workforce

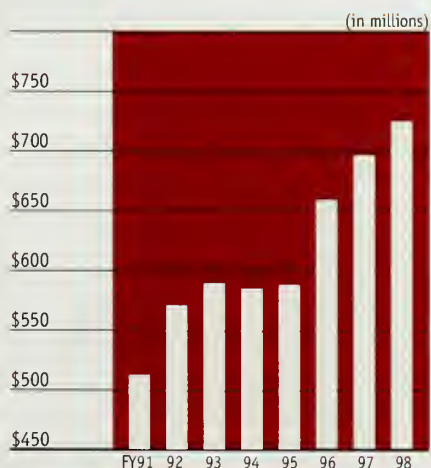


Performance

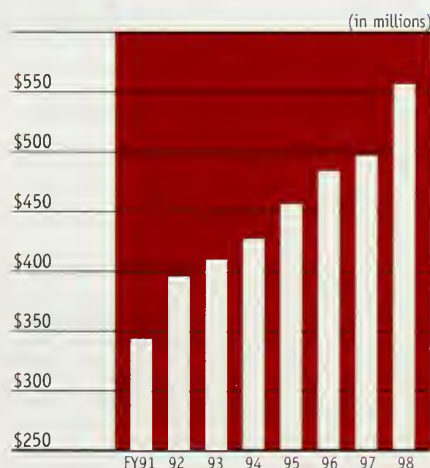
Revenue and DOR Expenditures



Assessments

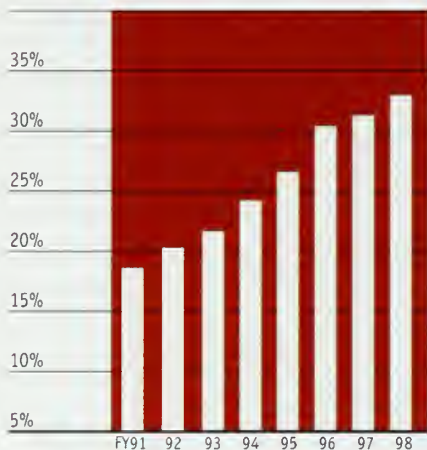


Collections of Delinquent Taxes

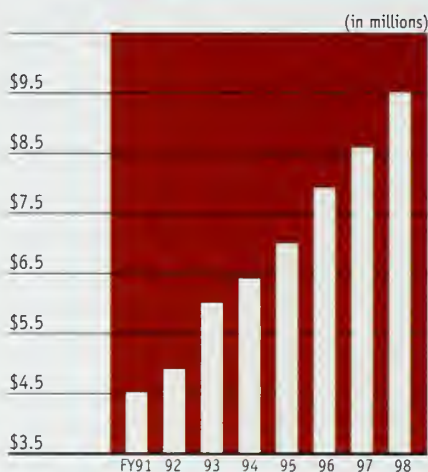


Information Technology Means Productivity

Percentage of Total Expenditures Dedicated to Information Technology

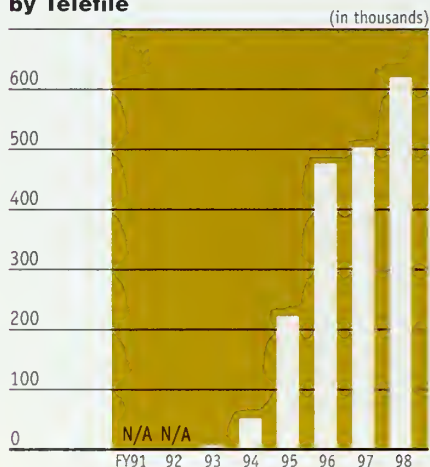


Productivity (Revenue per Employee)

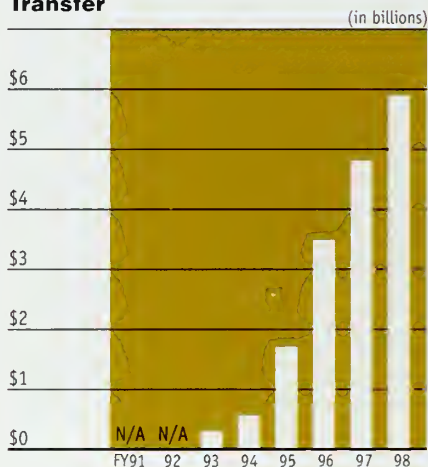


3 New Technologies

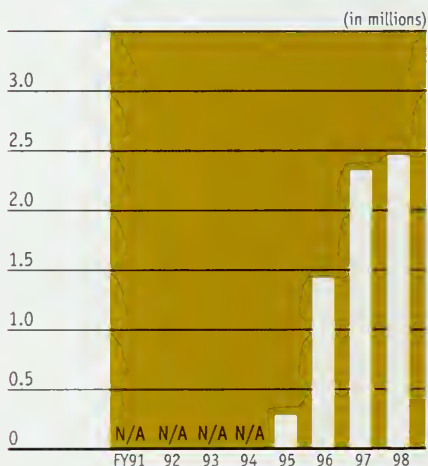
Tax Returns Filed Electronically and by Telefile



Tax Receipts by Electronic Funds Transfer



Tax Returns Processed by Imaging



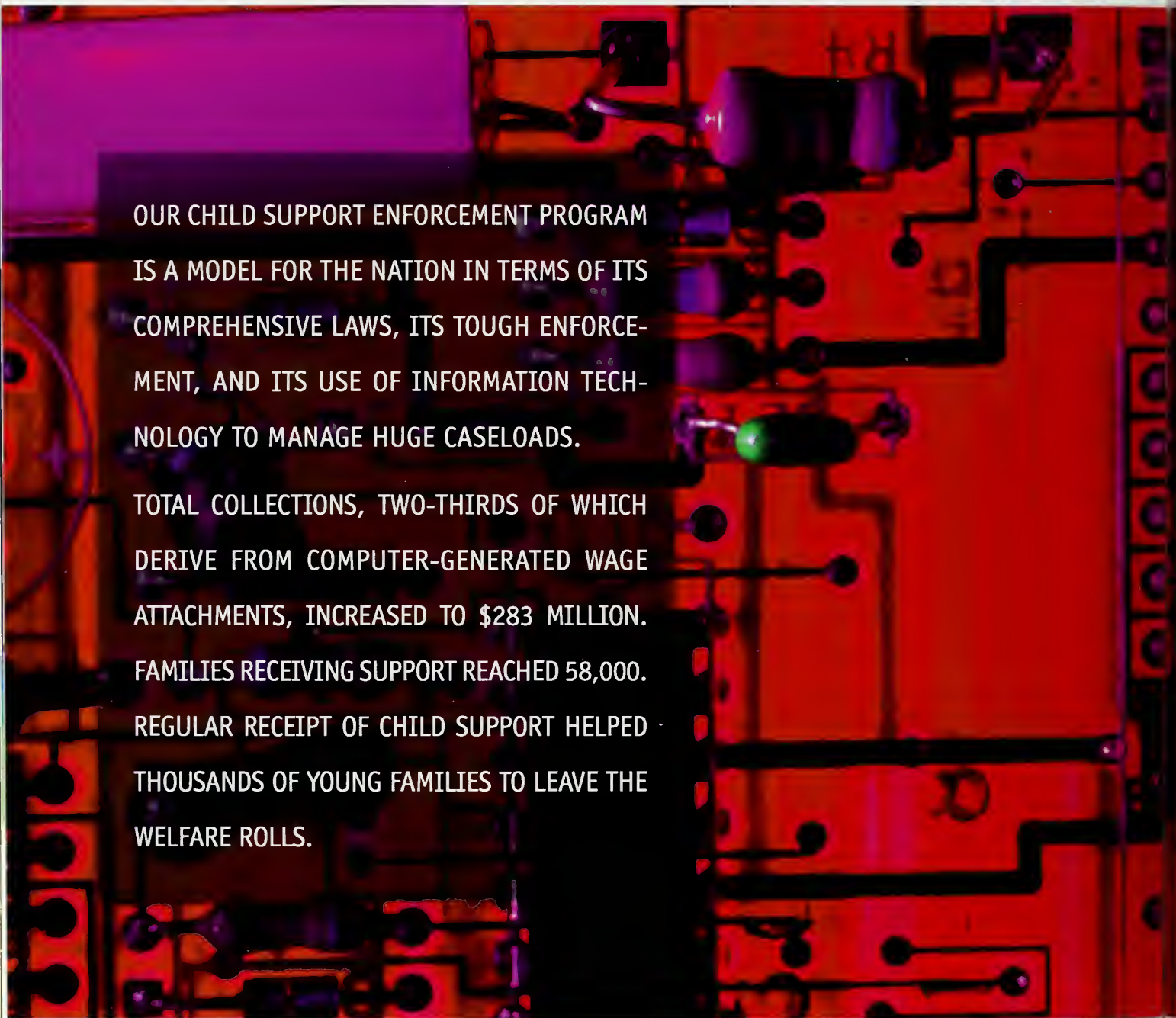
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THE INNOVATIVE USE OF INFORMATION TECHNOLOGY HAS TRANSFORMED DOR FROM A PAPER FACTORY INTO A CENTER OF DIGITAL TECHNOLOGY.

WHILE TOTAL EXPENDITURES ARE ESSENTIALLY UNCHANGED SINCE FY91, THE PERCENTAGE DEDICATED TO INFORMATION TECHNOLOGY HAS INCREASED STEADILY, SURPASSING 33% LAST YEAR. PRODUCTIVITY HAS MORE THAN DOUBLED.

OUR AWARD-WINNING TELEFILE AND IMAGING TECHNOLOGIES HAVE SET A NEW STANDARD IN TAX PROCESSING IN THE UNITED STATES AND ABROAD. THESE SYSTEMS HAVE BEEN VISITED BY REPRESENTATIVES FROM 32 STATES AND 60 COUNTRIES.

information
technology

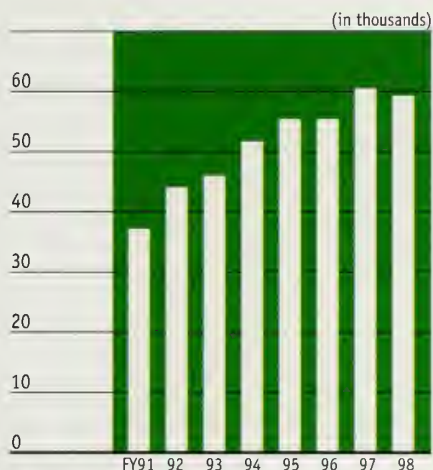


OUR CHILD SUPPORT ENFORCEMENT PROGRAM IS A MODEL FOR THE NATION IN TERMS OF ITS COMPREHENSIVE LAWS, ITS TOUGH ENFORCEMENT, AND ITS USE OF INFORMATION TECHNOLOGY TO MANAGE HUGE CASELOADS.

TOTAL COLLECTIONS, TWO-THIRDS OF WHICH DERIVE FROM COMPUTER-GENERATED WAGE ATTACHMENTS, INCREASED TO \$283 MILLION. FAMILIES RECEIVING SUPPORT REACHED 58,000. REGULAR RECEIPT OF CHILD SUPPORT HELPED THOUSANDS OF YOUNG FAMILIES TO LEAVE THE WELFARE ROLLS.

child support **enforcement**

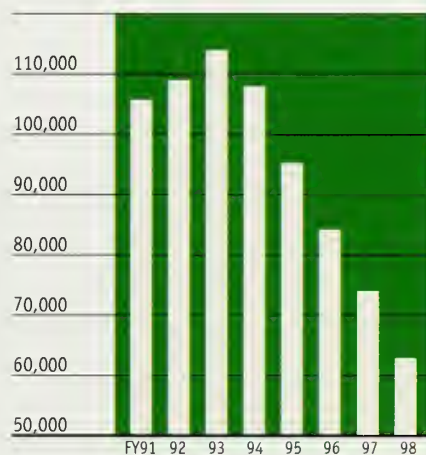
Families Receiving Child Support



Total Child Support Enforcement Collections



Welfare (AFDC) Caseload



Child Support Enforcement is one of several factors affecting welfare caseload. Others include welfare reform measures, economic conditions, etc.

child support
enforcement

the taxes

fiscal year 1998

TYPE OF TAX	MEASURE	RATE ¹	RETURN DUE
Personal Income and Fiduciary Income	Dividends, net capital gains, ² interest other than Mass. bank interest and interest received by pawnbrokers Other income	12.0% 5.95%	On or before April 15 for calendar year filings. The 15th day of the 4th month for fiscal filings.
Nonresident	Mass. source income		
Estimated Tax	Liability in excess of \$200		Due quarterly on or before the 15th day of April, June, September and January.
Withholding	Wages	5.95%	Varies depending on amount of tax withheld in calendar year. If annual withholding: Up to \$100 — Annual filing \$101–1,200 — Quarterly filings \$1,201–25,000 — Monthly filings Over \$25,000 — Quarterly filings, weekly payments
Estate	Federal taxable estate	see footnote ³	Within 9 months after the date of the decedent's death.
Nonresident	Mass. real and tangible property	see footnote ³	Within 9 months after the date of the decedent's death.
Alcoholic Beverages	Malt (31-gal. bbl.) Cider 3%–6% (wine gal.) Still wine 3%–6% (wine gal.) Sparkling wine (wine gal.) Alcoholic beverages 15% or less (wine gal.) Alcoholic beverages more than 15%–50% (wine gal.) Alcoholic beverages more than 50% or alcohol (proof gal.)	\$3.30 \$.03 \$.55 \$.70 \$1.10 \$4.05 \$4.05	Monthly, on or before the 20th day of the month.
Cigarettes	20-count package Smokeless tobacco (percentage of price paid by licensee) Cigars and smoking tobacco (percentage of price paid by licensee)	\$.76 75% 15%	Monthly, on the 20th day of the month. Unclassified importers must file upon importation or acquisition. Quarterly, on or before the 20th day following the close of the tax period.
Deeds	Sales price (less mortgage assumed) of real estate	\$2.28 ⁴ per \$500	Monthly, on or before the 10th day of the month (filed by Registers of Deeds).
Motor Fuels	Gasoline and diesel fuel per gallon Average wholesale price (21¢ minimum) Propane, liquified gas, etc. (no minimum) Aviation (10¢ minimum) Jet fuel at local option (5¢ minimum)	19.1% 19.1% 7.5% 5%	Monthly, on or before the 20th day of the month.
Room Occupancy	Transient room occupancy At local option, up to	5.7% 4.0%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$25,000 — Monthly filings Over \$25,000 — Monthly payments, quarterly filings ⁵
Club Alcoholic Beverages	Gross receipts	0.57%	On or before April 15.

¹ Tax rates as of August 1, 1997.

² Effective for the 1997 tax year, short-term capital gains are taxed at 12%, gains on property (other than collectibles) held more than two years are taxed at 4% and if held one to two years are taxed at 5%. Effective for the 1998 tax year, gains on property (other than collectibles) held more than three years are taxed at 3%.

³ Resident rate is equal to federal credit for state death taxes. Nonresident rate is equal to Massachusetts proportionate share of federal credit for state death taxes.

⁴ In Barnstable County, the rate is \$3.42 per \$1,000.

⁵ As of January 1, 1998, all room occupancy returns were due on a monthly basis.

TYPE OF TAX	MEASURE	RATE	RETURN DUE
Sales and Use Tax	Sale, rental or use of tangible personal property, including cigarettes, telecommunication services and certain fuel	5%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$100 — Annual filing \$101–1,200 — Quarterly filings \$1,201–25,000 — Monthly filings Over \$25,000 — Periodic payments, quarterly filings ⁶
Sales Tax on Meals, Prepared Food and All Beverages	All "restaurant" food and on-premises consumption of any beverages in any amount.	5%	On or before the 20th day following the close of the tax period. If annual liability: Up to \$25,000 — Monthly filings Over \$25,000 — Monthly payments, quarterly filings ⁷
Business and Manufacturing Corporations	Net income Tangible property or net worth Minimum	9.5% ⁸ \$2.60 per \$1,000 \$456	15th day of third month after close of taxable year.
Estimated Tax	Liability in excess of \$1,000		Due quarterly as follows: 15th day of third month of taxable year — 40% ⁹ 15th day of sixth month of taxable year — 25% 15th day of ninth month of taxable year — 25% 15th day of twelfth month of taxable year — 10% ⁹
Security Corporation			
Non Bank Holding Co.	Gross income	0.33%	Same as business corporations.
Bank Holding Company	Gross income	1.32%	
	Minimum	\$456	
Financial Institutions			
Commercial Bank and Thrift Institution	Net income	11.32% ¹⁰	Same as business corporations.
Other Financial Institutions	Net income	10.50%	
	Minimum	\$456	
Public Utilities	Net income	6.5%	Same as business corporations.
Ship Excise Tax	Value (equity interest) of the corporation's interest in a ship or vessel engaged in interstate or foreign trade.	0.379%	Same as business corporations.
Insurance Company			
Domestic Life	Premiums	2.0%	On or before March 15.
	Mass. net investment income	14.0%	
Foreign Life	Premiums	2.0%	On or before May 15.
Domestic Casualty	Premiums	2.28%	
	Gross investment income	1.0%	
Foreign Casualty	Premiums	2.28%	On or before March 15.
Ocean Marine	Underwriting profit	5.7%	
Preferred Provider Arrangements	Premiums	2.28%	
Marijuana and Controlled Substances Tax	Weight of marijuana Weight of controlled substance Dosage unit of controlled substance	\$3.50 per gram \$200 per gram \$2,000 per 50 dosage units	Payment due immediately upon acquisition or possession in Massachusetts by dealer. Payment evidenced by stamps purchased from the Commissioner.
Motor Vehicle garaged outside Massachusetts	90% to 10% of manufacturer's list price	\$25 per \$1,000	On or before 30 days from issuance of tax bill.

⁶As of January 1, 1998, all annual sales and tax use liabilities over \$1,201 file monthly returns.

⁷As of January 1, 1998, all sales tax on meals returns were due on a monthly basis.

⁸S corporations: 4.5% if total receipts \$9 million or more; 3% if total receipts are \$6 million or more but less than \$9 million.

⁹30% and 20% for corporations with fewer than 10 employees in their first full tax year.

¹⁰Effective for the 1998 tax year the rate is 10.91%.

revenue collections

fiscal year 1998

(In Thousands)	FY94	FY95	FY96	FY97	FY98	FY97-98 %Change
STATE TAXES COLLECTED BY DOR						
Tax on Personal Income						
TOTAL	\$ 5,689,768	\$ 5,974,201	\$ 6,706,870	\$ 7,181,821	\$ 8,031,943	11.8
Taxes on Business						
Corporations	\$ 782,284	\$ 910,965	\$ 876,341	\$ 963,873	\$ 1,066,870	10.7
Insurance Companies	281,521	284,270	284,905	289,272	302,765	4.7
Public Utilities	81,797	88,726	132,890	109,220	131,976	20.8
Commercial Banks ¹	136,880	164,529	150,583	98,984	157,302	58.9
Savings Institutions ¹	62,969	41,447	68,047	41,249	(1,249)	(103.0)
TOTAL	\$ 1,345,452	\$ 1,489,937	\$ 1,512,766	\$ 1,502,598	\$ 1,657,664	10.3
Taxes on Commodities Sold						
Motor Fuels	\$ 562,584	\$ 577,501	\$ 598,773	\$ 602,841	\$ 621,292	3.1
Cigarettes	237,307	234,163	232,845	281,708	300,812	6.8
Alcoholic Beverages	60,211	60,728	59,741	60,302	60,162	(0.2)
Sales & Use ²	1,978,774	2,136,971	2,252,083	2,494,702	2,572,560	3.1
Sales on Meals	323,365	344,329	358,010	381,364	389,975	2.3
TOTAL	\$ 3,162,241	\$ 3,353,692	\$ 3,501,453	\$ 3,820,916	\$ 3,944,801	3.2
Other Taxes						
Estate & Inheritance	\$ 277,533	\$ 209,281	\$ 188,021	\$ 202,707	\$ 191,336	(5.6)
Room Occupancy Excise	62,819	68,825	72,857	80,544	96,156	19.4
Deeds Excise ³	38,643	40,163	42,679	48,332	64,992	34.5
Club Alcoholic Beverage Excise	787	605	525	578	687	18.9
Motor Vehicle Excise	310	173	102	128	152	18.8
Controlled Substances	1	0	0	0	0	0
TOTAL	\$ 380,093	\$ 319,047	\$ 304,183	\$ 332,288	\$ 353,323	6.3
Total State Taxes Collected by DOR	\$10,577,554	\$11,136,877	\$12,025,272	\$12,837,623	\$13,987,731	9.0

¹Due to bank tax reform legislation starting in FY98, all bank tax transactions (both savings and commercial) for tax years 1997 or later now appear in the Commercial Bank Excise category.

²Include sales and use tax on motor vehicles.

³Due to different accounting methods, amounts reported for the deeds excise differ from those amounts reported by the comptroller.

Because of rounding, detail may not add to Totals.

The figures contained herewith are DOR figures pending the Comptroller's Fiscal Year 1998 Statutory Basis Annual Financial Report.

	FY94	FY95	FY96	FY97	FY98	FY97-98 %Change
LOCAL TAXES COLLECTED BY DOR ON BEHALF OF COMMUNITIES						
Urban Redevelopment	\$ 39,715	\$ 38,689	\$ 37,632	\$ 38,317	\$ 40,734	6.3
Local Option Airplane Jet Fuel	12,560	11,760	12,520	13,059	12,984	(0.6)
Local Option Room Occupancy	42,986	46,892	49,868	55,599	60,677	9.1
Total Local Taxes Collected by DOR on Behalf of Communities	\$ 95,262	\$ 97,341	\$ 100,020	\$ 106,976	\$ 114,395	6.9
OTHER REVENUE						
Utility & Insurance Assessments	\$ 5,738	\$ 7,055	\$ 8,598	\$ 3,386	\$ 4,772	40.9
Department Fees, Licenses, etc.	3,808	3,805	4,612	6,604	7,395	12.0
County Correction Fund — Deeds	5,650	5,844	6,204	6,969	9,457	35.7
Abandoned Deposits — Bottle	15,020	12,388	16,421	17,213	20,025	16.3
Total Other Revenue	\$ 30,216	\$ 29,091	\$ 35,836	\$ 34,172	\$ 41,649	21.9
STATE TAXES COLLECTED BY OTHER AGENCIES						
Horse & Dog Racing	\$ 14,155	\$ 13,996	\$ 11,377	\$ 10,185	\$ 9,045	(11.2)
Beano and Boxing	4,389	4,270	3,954	3,854	3,516	(8.8)
Raffles/Bazaars	1,085	1,094	1,024	1,028	1,039	1.1
Special Insurance Brokers	8,747	8,384	9,234	8,484	8,076	(4.8)
Total State Taxes Collected by Other Agencies	\$ 28,375	\$ 27,743	\$ 25,589	\$ 23,551	\$ 21,676	(8.0)
TAXES ON PROPERTY COLLECTED BY LOCAL GOVERNMENT						
Real Estate	\$ 5,194,156	\$ 5,402,459	\$ 5,611,382	\$ 5,838,099	\$ 6,130,097	5.0
Personal Property	270,259	298,608	309,312	322,086	325,795	1.2
Motor Vehicles	307,407	381,495	381,538	413,194	392,044	(5.1)
Total Taxes on Property Collected by Local Government	\$ 5,771,822	\$ 6,082,562	\$ 6,302,232	\$ 6,573,379	\$ 6,847,936	4.2
TOTAL ALL TAXES	\$16,503,229	\$17,373,614	\$18,488,949	\$19,575,701	\$21,013,387	7.3

Because of rounding, detail may not add to Totals.

The figures contained herewith are DOR figures pending the Comptroller's Fiscal Year 1998 Statutory Basis Annual Financial Report.

offers in final settlement

fiscal year 1998

Under M.G.L. c. 62C, sec. 37A, the Commissioner of Revenue has the authority, under specific conditions, to accept less than full payment as a final settlement for a state tax liability. The statutory condition for such settlement is "serious doubt" as to collectibility of the tax due or the taxpayer's liability for it. The Commissioner must also determine that the taxpayer or responsible person has acted without intent to defraud. The settlement must be recommended to the Commissioner by at least two deputy commissioners.

The written agreement, signed by all parties and including the reasons for settlement, is a public record. In cases where the liability is reduced by more than half, or by \$20,000 or more, the Attorney General of the Commonwealth must review the settlement and has the authority to object to it.

The law requires that a listing of all settlements entered into during the fiscal year be included in the Commissioner's annual report. In Fiscal Year 1998, 17 settlements were made. All 17 were reviewed by the Attorney General. The Department rejected 113 other offers.

The cases approved were as follows:

NAME	TOTAL TAX, INT. & PEN.	AMOUNT PAID IN SETTLEMENT	AMOUNT ABATED
A J Webster LTD.	\$ 14,617.53	\$ 3,400.00	\$ 11,217.53
Boyden, Kevin A.	\$ 12,817.30	\$ 5,100.00	\$ 7,717.30
Buxton, David & Sharon	\$ 8,091.32	\$ 2,000.00	\$ 6,091.32
Buxton, Sharon R/P for			
Yankee Furniture	\$ 60,460.05	\$ 14,100.00	\$ 46,360.05
Sandy Dolph	\$ 20,876.20	\$ 10,000.00	\$ 10,876.20
Fortier, Mark & Brenda	\$ 5,647.83	\$ 2,500.00	\$ 3,147.83
Gibbons, Geoffrey N.	\$ 60,695.20	\$ 6,000.00	\$ 54,695.20
Griffin, Paul W.	\$ 80,931.13	\$ 10,000.00	\$ 70,931.13
Heres, Albert & Dorothy	\$ 11,431.22	\$ 5,300.00	\$ 6,131.22
Juzba, Robert	\$ 12,075.92	\$ 3,000.00	\$ 9,075.92
Koplow, Ellen	\$ 45,851.91	\$ 18,000.00	\$ 27,851.91
Moreira, Jose	\$ 810.75	\$ 100.00	\$ 710.75
Simone, Zachary D.	\$ 29,012.67	\$ 10,000.00	\$ 19,012.67
Spadola, Daniel & Dorothy	\$ 31,773.02	\$ 15,000.00	\$ 16,773.02
Steele, Norman A.	\$ 15,590.35	\$ 3,300.00	\$ 12,290.35
Taylor, Elizabeth	\$ 29,468.81	\$ 5,000.00	\$ 24,468.81
Woods, Denise J.	\$ 206.62	\$ 128.77	\$ 77.85
TOTAL	\$440,357.83	\$112,928.77	\$327,429.06

Because of rounding, detail may not add to Totals.

The figures contained herewith are DOR figures pending the comptroller's Comprehensive Annual Financial Report.

collection agencies

fiscal year 1998

Chapter 209 of the Acts of 1988 permits the Commissioner of Revenue to use private collection agencies to collect unpaid state taxes. The Commissioner is required to notify all taxpayers whose accounts are to be assigned to a collection agency at least 30 days beforehand.

The law requires that the Commissioner list all agencies with whom collection agreements exist, the amount of taxes collected and the amount of compensation paid in the Department's annual report. They are as follows:

CONTRACTOR	TOTAL COLLECTED	FEES PAID	NET TO DOR
Capital Credit Corp.	\$ 3,571,502	\$ 711,654	\$ 2,859,848
GC Services	3,393,483	446,449	2,947,035
Payco-General	2,488,720	455,112	2,033,608
TOTAL	\$9,453,705	\$1,613,215	\$ 7,840,490

Because of rounding, detail may not add to Totals.

The figures contained herewith are DOR figures pending the comptroller's Comprehensive Annual Financial Report.

deputy commissioners

John Moynihan
Deputy Commissioner
Inspectional Services Division



Stephen Moffatt
Deputy Commissioner
Compliance Division
(Appointed Fall 1998)

Joseph Chessey
Deputy Commissioner
Division of Local Services



Bernard F. Crowley, Jr.
First Deputy Commissioner
for Administration

Fred Beebe
Deputy Commissioner
Audit Division



Joseph Scotti
Deputy Commissioner
Administrative Services

Amy Pitter
Deputy Commissioner
Child Support
Enforcement Division



Alan Golobski
Deputy Commissioner
Processing Division

Donald Evans
First Deputy Commissioner
and General Counsel



Vincent Piccinni
Deputy Commissioner
Information Services
Organization

Robert Nevins
Deputy Commissioner
Research & Development
Division



Sheila LeBlanc
Deputy Commissioner
Taxpayer Services Division

NESTOA '98* Boston



MARGARET MILNER RICHARDSON, COMMISSIONER, IRS, 1993-1997 SHIRLEY D. PETERSON, COMMISSIONER, IRS, 1992-1993
MASSACHUSETTS COMMISSIONER OF REVENUE MITCHELL ADAMS, PRESIDENT NESTOA 1998

**"...the finest team
in state government"**

MASSACHUSETTS DEPARTMENT OF REVENUE

Awards

1997
COMPUTERWORLD/
SMITHSONIAN AWARD
for Innovation in
Information Technology

1996
FEDERATION OF TAX
ADMINISTRATORS (FTA)
AWARD for Technology
Applications

COUNCIL OF STATE
GOVERNMENT-
INNOVATION AWARD

COOPERS & LYBRAND/
RUTGERS UNIVERSITY
EXEMPLARY STATE AND
LOCAL AWARD

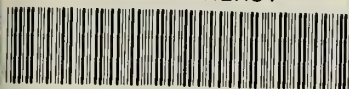
1994
AMERICAN MANAGEMENT
SYSTEMS/CARNEGIE
MELLON GOLD MEDAL
AWARD in Managing
Information Technology

1993
FORD FOUNDATION
INNOVATIONS IN
GOVERNMENT AWARD



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MASSACHUSETTS
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Income Tax Division

Department of the Tax Commissioner
COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF CORPORATIONS AND TAXATION

PERSONAL RETURN

YOUR 1956

1984

MASSACHUSETTS
PACK

1998

You May Be One of the
1.5 Million Taxpayers Eligible
to File Your Taxes by Phone.

TELEFILE

Massachusetts Tax
Forms & Publications

www.state.ma.us/do

1999

Package X
Tax Guides
Tax Practitioner
Handbooks
Public Written
Statements

Then & Now

1916

1919

1922

1936

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Massachusetts Department of Revenue Annual Report **1999**





To the Honorable Argeo Paul Cellucci, Governor of the Commonwealth, and the Honorable Members of the General Court of Massachusetts:

I am honored to present to you the Massachusetts Department of Revenue's Fiscal Year 1999 Annual Report, our final report of the 20th century. In the pages that follow, we trace not only the accomplishments of FY99 but also the remarkable advancements that have occurred in tax administration over the past 100 years.

The turn of the century presented unique challenges for the Department as we focused on ensuring that all of our tax and child support enforcement systems were Year 2000 compliant and helping cities and towns across the Commonwealth make similar preparations. Ensuring full Y2K compliance was an agency-wide effort for the past several years as team members worked diligently under the leadership of my predecessor, Mitchell Adams. The achievements highlighted in this year's Annual Report are a direct result of the investments in technologies that Commissioner Adams and Interim Commissioner Bernard Crowley made to improve DOR's professionalism, productivity and responsiveness to taxpayers.

With your help and DOR's continued commitment to quality customer service, FY99 was a year of tremendous progress for taxpayers:

- Record tax cuts meant that 363,000 more taxpayers received refunds in FY99 than the prior tax year with a 38% increase in the size of the average refund;
- DOR was granted the authority to settle tax disputes earlier and more expeditiously through our Office of Dispute Resolution;
- A number of administrative fees were eliminated in the Commonwealth to make compliance simpler for business taxpayers;
- DOR established the Office of the Taxpayer Advocate to ensure that ongoing tax issues are resolved quickly and fairly;
- On the Child Support Enforcement front, a record 71% of unmarried parents in Massachusetts voluntarily established paternity for their children;
- The Division of Local Services played a pivotal role in two key FY99 initiatives: auditing the use of Education Reform monies in selected communities and participating in the dissolution of county governments in Hampden, Hampshire, Middlesex, and Worcester Counties;
- DOR's Underground Storage Tank program reduced the time for processing environmental clean-up claims by more than 50%.

Throughout its history, DOR has had a long line of dedicated and distinguished Revenue Commissioners; I am grateful for their legacy and equally proud to join their ranks. As we enter the 21st century, I look forward to working in collaboration with you to enhance the quality and level of service provided to Massachusetts' taxpayers.



Sincerely,

A handwritten signature in dark ink, appearing to read "Frederick A. Laskey".

Frederick A. Laskey
Commissioner



FY99 Year in Review

FY99 was a very successful year for the Department of Revenue in terms of both overall agency and individual employee achievement. Here are some of the most significant accomplishments:

New Taxpayer Advocacy and Dispute Resolution Positions Created

– In continuing the effort to ensure that taxpayers are treated in a fair and even-handed manner, the Commissioner established the Office of the Taxpayer Advocate and the Office of Dispute Resolution. In addition to providing assistance to taxpayers in resolving problems, the Taxpayer Advocate coordinates outreach programs, advises executive management, and ensures that taxpayers are aware of and afforded their rights in interactions with the department.

The Office of Dispute Resolution provides taxpayers and tax practitioners with an easily accessible alternative method of resolving tax cases, without expensive and time-consuming litigation and in a manner that is expeditious, objective and reasonable to both the Commonwealth and taxpayers.

Record Number of Tax Refunds Issued – Due to several new tax cuts and an increase in personal exemption amounts, over 363,000 more taxpayers received refunds in FY99 than in FY98. These refund amounts were, on average, 38 percent higher than in the prior year. Despite this large increase in refund processing, the Department was successful in maintaining an average refund turnaround time of 7.5 days and a decrease in refund turnaround time for paperless filers.

DOR wins Prestigious Carballo Award – The Department's MIRROR (Massachusetts Imaged Retrieval Review and Optimal Response) Quality Review Report Development Team won the Manuel Carballo Award for Excellence in Public Service. The Carballo Award is presented annually to ten individuals or groups and is the highest award bestowed upon those from state service.

Using the data captured by the MIRROR correspondence imaging system, the quality review team developed customized statistical sampling methods to measure and report on the accuracy of the customer service that DOR provides to taxpayers on a daily basis. The resulting reports are beneficial in determining staff strengths as well as targeting areas for improvement, thereby ensuring that taxpayers receive the best quality service possible.



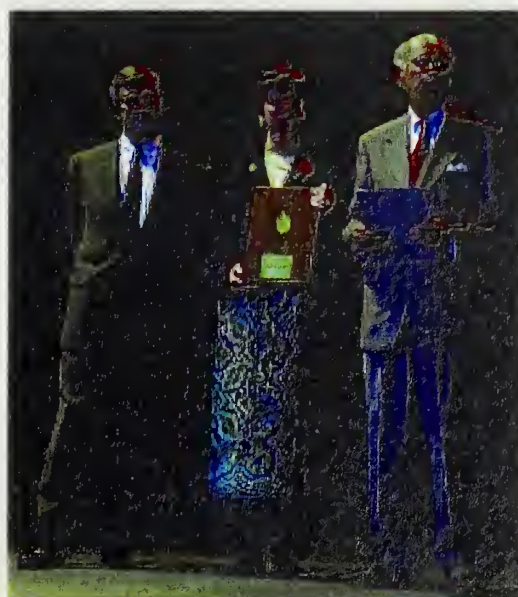
CALL OR CLICK. GET IT QUICK!



E-filed Returns Increase – During the 1999 Filing Season, nearly 678,000 tax returns were filed electronically through one of the Department's electronic filing methods. These methods include Telefile, PC File, or electronically through a tax preparer. This amount represents an additional 53,000 e-filed returns over FY98 – an increase of 8.6 percent.

Child Support Tax Intercept Program – The Child Support Enforcement Division (CSE) unveiled the new Internet-based Insurance Claim Payment Intercept Program – the first in the country. This new program resulted in collections of \$2.2 million. In addition, CSE intercepted \$20.5 million in federal tax refunds and \$8.2 million in state tax refunds – increases of 32 percent and 64 percent respectively.

Local Services Offers Y2K Assistance – During FY99, the Division of Local Services (DLS), in addition to the Governor's Y2K Task Force, offered Y2K computer assistance to 176 small towns in Massachusetts. DLS prepared inventories of computer equipment and programs, identified potential Y2K problems, and assisted in contingency planning.



Deputy Commissioner Sheila LeBlanc accepts the Manuel Carballo Award on behalf of the MIRROR QR team. Presenting the award are Governor Cellucci and Secretary of Administration and Finance Andrew Natsios.

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1865

Office of Tax Commissioner first established.

1890

Office of the Tax Commissioner was separated from that of the State Treasurer: Commissioner of Corporations.

1898

Complete authority given to Tax Commissioner to visit cities and towns to inspect the work of assessors.

1916

Personal Income Tax begins, revenue is returned to cities and towns.

Administration of new income tax given to Tax Commissioner.

Tax Administration

During FY99, DOR made several operational changes to ensure that taxpayers continue to receive first-rate customer service both this year and in future years. Two new offices were created – both reporting directly to the Commissioner – the Taxpayer Advocate Office and the Office of Dispute Resolution. These offices are charged with seeing that ongoing tax issues and disputes are resolved or settled quickly and fairly. In addition, taxpayer outreach programs, including



informational seminars for tax professionals, were greatly expanded to better inform taxpayers of their tax filing requirements. These changes complemented our commitment to utilize state-of-the-art technology to improve and streamline the way business is conducted at the Department.

The balanced business approach of prioritizing customer service and technological advances made FY99 a very successful and productive year. The Department administered record tax cuts that resulted in 363,000 more refunds than in FY98. The average refund was also 38% larger, while the average turnaround time was an impressive 7.5 days. Over 1.3



Deputy Commissioner Al Golobski demonstrates DOR's Imaging System to Lt. Governor Jane Swift.



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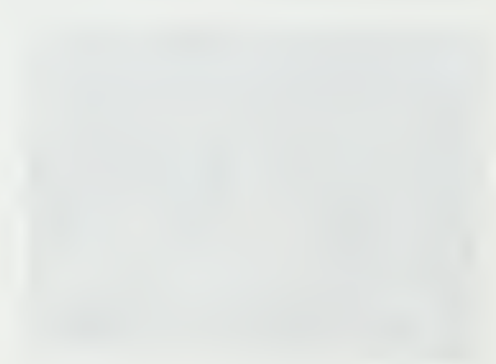
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1919

Office of the Tax Commissioner was abolished and replaced with the Commissioner of Corporations and Taxation.

1922

Collection of inheritance tax transferred to the Commissioner.

1936

Machinery of manufacturing corporations was removed from direct taxation to help during the Great Depression.

1941

Meals tax distribution to help meet the increasing costs of Old Age Assistance as a welfare measure.

1953

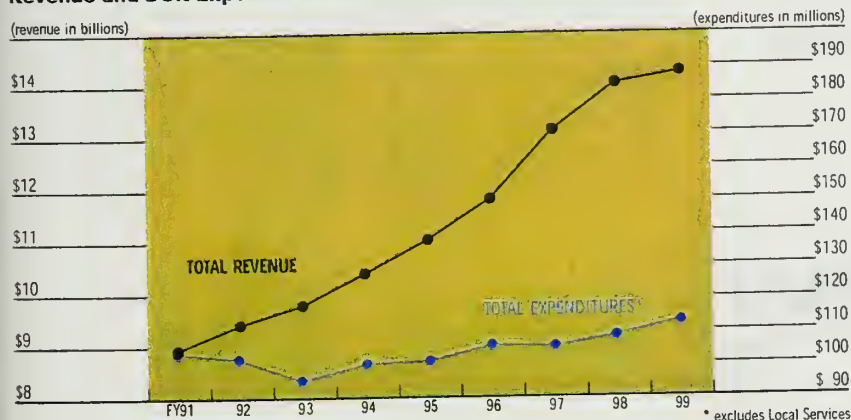
Creation of the State Tax Commission.

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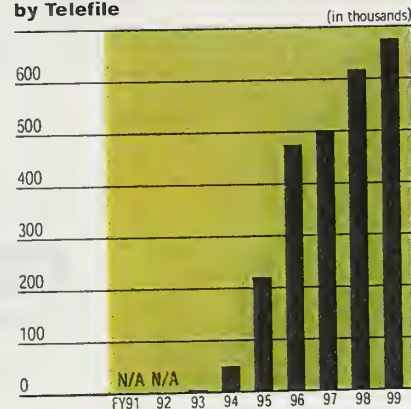
million taxpayers received tax assistance – with income tax phone calls being answered in an average of 10.8 seconds. Taxpayer use of the Department's website to request information and answer questions doubled since FY98 and nearly 670,000 taxpayers took advantage of DOR's 24-hour Interactive Voice Response systems.

Technologically, DOR also made gains in FY99. Over 678,000 tax returns were filed electronically, with usage of the DOR-issued PC File software up over 300%. In addition, DOR launched the DORNET Intranet site and created the Tax Education Group – two diverse resources that will ensure that employees have the proper tools and education to perform their jobs as productively as possible.

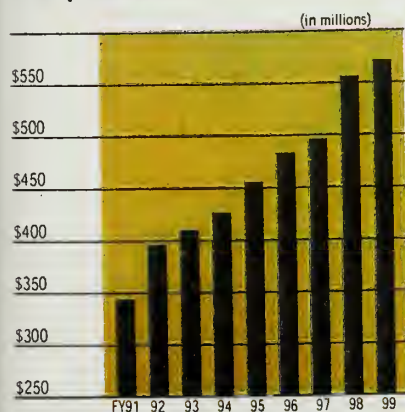
Revenue and DOR Expenditures



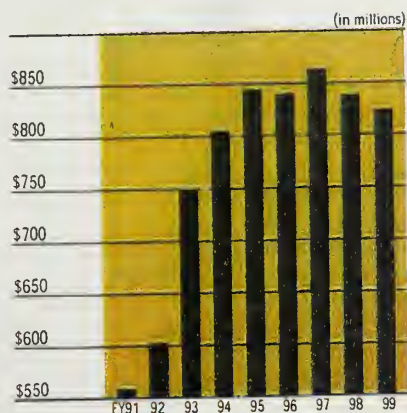
Tax Returns Filed Electronically and by Telefile



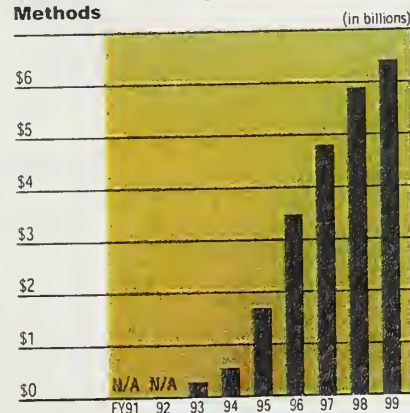
Collections of Delinquent Taxes



Accounts Receivable



Total Receipts from all Electronic Filing Methods





1953

Functions of department localized under three units: the Division of Administrative Services, the Division of State Taxes, and the Division of Local Finances.



1964

Creation of the Massachusetts Bay Transportation Authority: excise increased on cigarettes to fund this agency.

1966

Implementation of Sales and Use Tax: Interstate corporations tax; room occupancy excise directly applied to hotels, motels, and rooming houses; excise on cigarettes and alcoholic beverages.

1973

Personal income tax revamped.

Child Support Enforcement

The Division of Child Support Enforcement (CSE) is responsible for the collection and distribution of court-ordered child support payments for the Commonwealth's children. CSE collected a record \$292.5 million in FY99 — a four percent increase over FY98. Using the latest in computer technology, the Internet, and tough enforcement measures, CSE collections benefited 61,805 families, more than ever



1977

Meals tax consolidated into sales tax.

1978

State tax commission abolished. Commissioner becomes head of agency.

1983

Internal Review Board (IRB) established.

1984

Revenue Enforcement and Protection Act (REAP) signed into law.

Amnesty program ends after 3 months with 86 million collected from 52,000 taxpayers.

Municipal data bank comes on-line and management consulting to cities and towns is underway.

Tax reform redesign begins with new Form ABC.



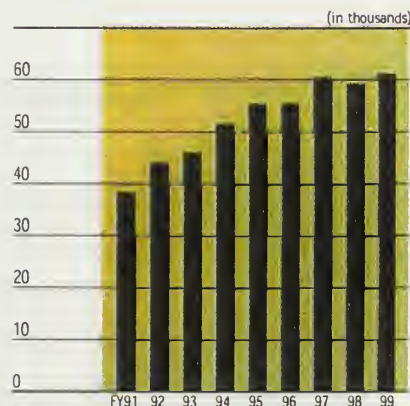
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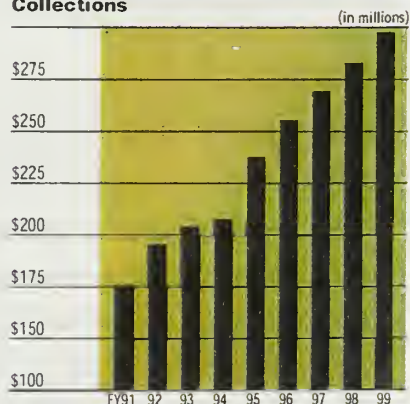
before. CSE also launched the Insurance Claim Intercept Program (ICPIP), making Massachusetts the first state in the country to utilize the Internet to intercept insurance settlements from delinquent parents. In just the last half of FY99, CSE collected \$2.2 million through this innovative initiative.

Beyond collection and enforcement, CSE has continued to work with hospitals, community organizations, and government agencies to encourage unmarried parents to voluntarily establish paternity. Paternity was voluntarily established by parents for 71 percent of children born out-of-wedlock in Massachusetts. In addition, CSE worked with private industry, workforce development programs, and community organizations to develop initiatives that help low-income parents get good jobs, enabling them to meet their financial obligations to their children.

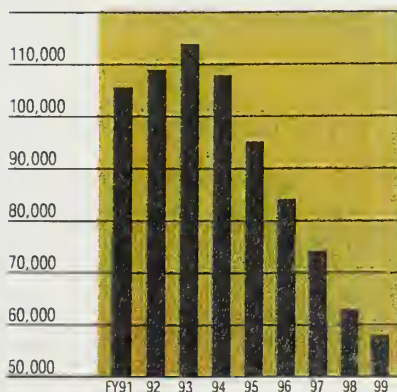
Families Receiving Child Support



Total Child Support Enforcement Collections



Welfare (AFDC) Caseload



Child Support Enforcement is one of several factors affecting welfare caseload. Others include welfare reform measures, economic conditions, etc.



1985

For the first time in state history, a taxpayer is jailed for tax fraud.

PLC (Practitioner Liaison Committee) established.

Code of Conduct established for DOR.

1986

Code of Conduct implemented for all professional and managerial employees.

1987

First full and fair property tax valuation completed for all communities in the Commonwealth.

Legislation enacted to transfer child support enforcement to DOR.



Division of Local Services

The Division of Local Services (DLS) has oversight of property taxation and municipal finance for 351 Massachusetts cities and towns. In addition, DLS provides technical assistance and training to local officials, including workshops and seminars on such topics as assessment administration, municipal law, and financing.

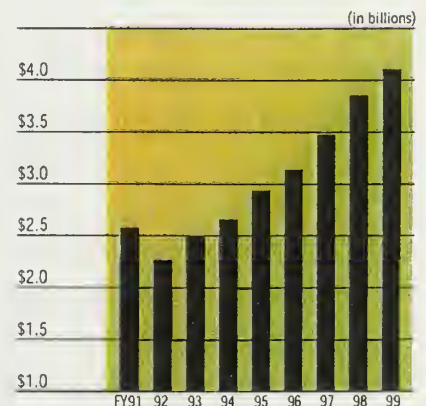
During FY99, DLS provided special assistance to small towns by preparing an inventory of their computer equipment and programs and by identifying potential Y2K problems in time to budget for solutions. A new bureau, the Bureau of Education Audit, was also created to perform audits of local school systems under the direction of the Governor's Education Management Accountability Board. These audits

scrutinize local school spending and measure its impact on student achievement.

As an oversight agency for local expenditures, DLS took an active role in ensuring that taxpayer money was wisely spent. Each community was required to submit its tax rate and a balance sheet to DLS for review and approval, ensuring that the city or town had a balanced budget. New technology, such as a new automated tax rate setting program and internet applications were employed to improve DLS service to local communities.

During FY99, DLS also handled the review of all payrolls and invoices for the dissolution of the Middlesex, Worcester, Hampden, and Hampshire

**Total Cherry Sheet Receipts
FY1991-FY2000**





Local Services' Analysis Unit produces first in-depth reports on municipal finance trends.

IRS/DOR agreement signed for expanded cooperation.

Fastest average refund turnaround ever achieved - 12.5 days

MASSTAX Legal Guide—a compilation of Massachusetts tax laws, rulings and regulations—introduced.

Tri-state compact between Massachusetts, Rhode Island and Connecticut begins for sales and use tax enforcement.

Total child support collections jump 29% — topping 150 million.

DOR average refund turnaround time reduced to 11.7 days



County governments. Preparations were also made for the abolition of Essex County government in early 2000. DLS continues to monitor the budgets of the remaining counties.

Although DLS has a strong regulatory role with local governments, providing excellent customer service was a priority in FY99. Local Services' Municipal Data Bank provided historical financial data on individual communities as well as comparative information on other cities and towns. Financial analysis was enhanced by the addition of the Community Report Builder — a website feature that enables local officials to create custom reports comparing their community to others, based on socioeconomic, property tax or financial information. The Cherry Sheets — estimates

of state aid and municipal charges amounts — were available on the DLS website within four hours of the final enactment of the FY99 budget. For the first time, Bulletin 32, a compilation of laws pertaining to municipal government, was available on CD-ROM. The CD allows users to research various laws by topic. The Bureau of Local Assessment also created the Tax Recapitulation Sheet, a new automated spreadsheet that expedites the tax rate setting process for both communities and DLS.

During FY99, DLS again provided financial management assistance to local communities, offering both overall financial health assessments and specific financial problem resolution.



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2. The second part of the paper discusses the methodology used.

3. The third part of the paper discusses the results of the study.

4. The fourth part of the paper discusses the conclusions of the study.

5. The fifth part of the paper discusses the implications of the study.

6. The sixth part of the paper discusses the limitations of the study.

7. The seventh part of the paper discusses the future research.

8. The eighth part of the paper discusses the acknowledgments.

9. The ninth part of the paper discusses the references.



1988

DOR launches its small business workshop.

Local Services releases a comprehensive guide explaining the mechanics of Proposition 2 1/2.

1989

Phase 1 of MASSTAX computer system comes on-line.

Comprehensive guide to filing debuts.

1990

Comprehensive Taxpayer's Guide to the Department of Revenue released; guide summarizes the rights and responsibilities of both DOR and taxpayers.

DOR receives national award for excellence in training.

Underground Storage

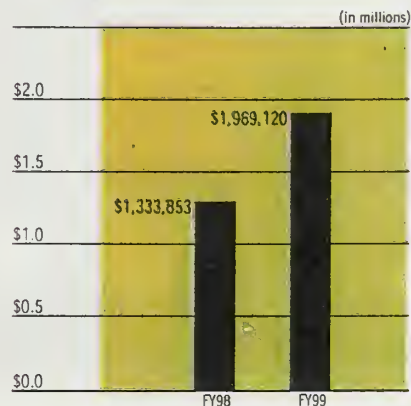
The Underground Storage Tank program (UST) was created by Chapter 524 of the Acts of 1990. The Department of Revenue assumed administration of the program in FY98.

The Underground Storage Tank program is designed to reimburse owners and operators of qualifying underground storage tank systems for costs incurred in cleaning up their property during environmental response actions and to reimburse cities and towns for costs associated with removal and replacement of UST systems.

UST revenue is derived from two fees assessed upon dispensing facilities – an annual \$200 per tank fee and a 1/2 cent per gallon fee assessed upon the sale of gasoline and diesel delivered to those facilities. In FY99, the program collected \$18.5 million.



Municipal Grant Awards



Since the transfer of UST to the Department in FY98, there have been a number of significant improvements in the program. For example, in FY99, the UST board approved 1,859 claims and 433 reconsiderations which amounted to \$19.2 million in reimbursements for dispensing facilities. In addition, the claims processing period was reduced from in excess of twelve months to an average of six months – a greater than 50% reduction.

The Municipal Grants portion of the UST program also saw significant improvement. The program provides reimbursement of up to 50% to cities and towns for costs incurred in removing and/or replacing underground storage tanks. In FY99, UST issued \$1.9 million in grant awards – a 48% increase over the prior year. Since assuming administration of the program in FY98, the Department has revised the UST regulations to allow smaller, independent businesses to qualify for reimbursements, streamlined staff operations to provide enhanced customer service, and fully automated the UST billing, reimbursement and collection process. A new computer system also permits UST to exchange important information with other agencies involved with administering storage tank operations.

Delinquent tax collections exceed half a billion dollars.

Massachusetts Revenue Commissioner and New York City Commissioner of Finance sign formal agreement allowing the exchange of tax information and enforcement resources between the Commonwealth and the City of New York.

CSE collects nearly 70 million from non-custodial parents on behalf of their families receiving AFDC and collects an additional \$107.2 billion on behalf of families not on AFDC.

DOR's Local Services Division manages \$2.57 billion local aid distribution as well as a schedule of emergency local aid advances to prevent local cash flow crises.

Local Services helps communities implement new deeds excise legislation and quarterly tax billings.

Community & Commitment

Employees at the Department of Revenue have a strong tradition of giving generously to those in need – both locally and globally. Here is a sample of how DOR employees made a difference in FY99:

Commonwealth of Massachusetts Employee Contribution Campaign (COMECC) – The generous contributions from DOR employees to the annual COMECC program earned the Department recognition throughout the Commonwealth. Through various fundraisers and individual contributions, DOR employees donated a grand total of \$91,010 to a number of worthy charities. Some of the creative fundraising ideas devised by employees were: raffles, bowling tournaments, book and craft sales, golf putting contests, a baby photo guessing game, and popcorn and candy sales.

Kosovo Relief Fund – Moved by the plight of the refugees in Kosovo, DOR employees organized a DOR Cares drive to raise much-needed funds for those adversely affected by this crisis. Employees quickly donated almost \$7,000 to such relief agencies as the American Red Cross, Save the Children, and Doctors without Borders.



Employees loading bags of donations during a Toy and Clothing drive.

Blood Drive – Although many DOR employees regularly, and anonymously, donate blood throughout the year, employees donating blood to Massachusetts General Hospital's Blood Donor Center last year had the opportunity to sign get-well cards which, attached to teddy bears, were delivered by MGH staff to pediatric patients in the hospital. The effort was a tremendous success and brought a small measure of happiness to these children.

Toy and Clothing Drives – Employees in DOR offices organized toy and clothing drives to help make the holidays brighter for needy and disadvantaged children throughout the Commonwealth. Department employees in the Chelsea office contributed \$3,700 worth of toys and distributed them to more than 1,100 needy families. Employees in the Boston office contributed over 192 toys to the Toys for Tots campaign – the largest donation to that program by any participating state agency. As a result of their annual clothing and toy drive, the Fall River office distributed new coats and toys to 53 local children, receiving a community service award for their efforts.

K O S O V O

IF YOU WANT TO HELP THE KOSOVO REFUGEES YOU CAN,
CONTACT FRAN MACDONALD (676-3876) OR LINDA MURRAY
(626-3276) IN THE COMMISSIONER'S OFFICE. FRAN
AND LINDA WILL BE COLLECTING CHECKS FOR DISTRI-
BUTION TO THE AGENCIES LISTED AT THE RIGHT. MAKE
YOUR CHECKS PAY TO THE AGENCY OF YOUR CHOICE AND
ADD THE WORDS "FOR KOSOVO RELIEF" TO THE CHECK.

AMERICAN Red Cross 30
Fran Macdonald Fund

LAIR 31
Fran Macdonald Fund

Calaveras National Cemetery 32
Fran Macdonald Fund

Claremont World Community 33
Fran Macdonald Fund

Deacons of the Church 34
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1993

Electronic Funds Transfer Program established.

1994

CSE receives Manuel Carballo Award.

1995

Telefile launched.

Electronic Filing Program begins.

Employee Assistance Program launched.



DOR Then & Now



William F. Kelley, Jr. is joined by his family and Commissioner Laskey at his retirement party.

William F. Kelley, Jr.

I started as a clerk in the mailroom in 1957. Things were definitely a lot different back then. Everything then was paper, paper, paper. Today, the technology has changed the entire way the Department is doing business. I mean, the idea that taxpayers could file their tax returns over the telephone! Now we have taxpayers filing by PC and over the Internet. The trick, it seems, is to continually keep ahead of the technology waves. One of the most significant achievements that I've seen is the ability of the Department to continually keep ahead in the systems, processing, and service delivery areas. Fortunately, there has always been a nucleus of good, effective people here to implement the technology.

That's what I'll remember as I retire – that through the good times, and difficult times, everybody hung together and got the job done, regardless of how difficult or insurmountable the tasks seemed.

An agency is only as good as the people who work there. Over the years, the Department of Revenue has been fortunate to have dedicated and talented professionals at every level. The following three employees, two of whom recently retired, have a combined 110 years of service. They were asked about their careers at DOR and the changes they have seen over the years.

"...back then...everything...was paper, paper, paper. Today... technology has changed the entire way the Department is doing business..."



DOR moves a portion of its operation to the new Massachusetts Information Technology Center in Chelsea.

DOR develops its first website.

DOR moves its headquarters to Sleeper Street in South Boston.

Commissioner creates new Dispute Resolution and Taxpayer Advocate Offices.

DOR again wins Manual Carballo Award for excellence in public service.



Florence Murphy

I began my career with DOR in 1944, back when we were called the Department of Corporations and Taxation. I was hired out of high school as a temporary junior clerk and had intended to stay for just a few weeks. I've been here ever since!

Our offices were located in the State House and it was a fascinating and exciting place to be — meeting all of the politicians and powerful people of that time. I also had the honor of meeting a young congressman named John F. Kennedy, a meeting I'll certainly never forget!

Back in my early years with DOR, everything was done manually and required a great amount of paperwork. Today, the new computerized changes are truly overwhelming and have created a much more efficient way of assessing and collecting taxes. In addition, there is so much more coordination and cooperation between bureaus and between other agencies — particularly between DOR and the IRS.

Despite all of these changes, it's the people who have changed the least. The loyalty of DOR employees is there year after year and I have a great deal of respect for the folks at the Department — especially my fellow Inheritance and Estate Tax employees!



Virginia Johnson receives retirement congratulations from Commissioner Laskey.

Virginia Johnson

My career at the Department began as the Affirmative Action Recruitment Manager. I was later appointed the Director of the Affirmative Action Office. I am proud of the progress we have made in increasing the number of minorities and females at the Department. When I first came on board 17 years ago, the agency's workforce was 8% minority and 48% female. Today, we meet or exceed the federal requirements with a 14% minority and 53% female workforce.

Another highlight, and challenge, was the passage of the Americans with Disabilities Act (ADA). Implementation of this Act meant that all of the department's programs, buildings, and materials had to be ADA compliant. Meeting the needs of individual employees is an on-going challenge since no two ADA-related requests are the same.

During my years at the Department, the use of technology has been a real milestone — especially for those employees with disabilities. DOR has been very, very supportive in addressing these issues, whether it be obtaining voice-activated computers or other types of adaptive equipment to address individual needs.

Despite the many personnel and administrative changes over the years, there is one thing that always remained a constant at the Department — the drive to see how we, as an agency, can improve on past results.

1999 Massachusetts Department of Revenue



DOR's Management Team

"a free and open government depend[s] upon a tax system in which its citizens have the highest degree of trust and confidence that the duties and responsibilities be carried out with the highest standards of professionalism and ethical behavior and that its officials and employees act with integrity, impartiality and equality."

Massachusetts General Laws Chapter 14, section 1



Processing Division: (seated) Alan Golobski, Deputy Commissioner; (standing left to right) Barbara O'Connor, Chief, Records Management, Richard Sweeney, Chief, Automated Processing, Paula Potvin, Associate Deputy Commissioner



Research and Development: (seated) Robert Nevins, Deputy Commissioner; (standing left to right) Susan Parker, Chief, Strategic Research, J. Michael Guerin, Chief, Technology Outreach, Susan Persons, Chief, Operations Research



Audit Division: (seated) Frederick Beebe, Deputy Commissioner; (standing left to right) Iris Lee, Chief, Desk Audit, Michael Lividoti, Associate Deputy Commissioner, Bernard Schram, Chief, New England Audit, Dennis Conley, Associate Deputy Commissioner, (not pictured) Joel Brodsky, Chief, Multistate Audit



Child Support Enforcement: (standing left to right) Sharon Blocker, Chief, Legal Operations, Robert Crist, Associate Deputy Commissioner, Leonard Busha, Chief, Administration and Finance, Kevin Sheehan, Chief, Systems Management, Paul Cronin, Chief, Customer Service, Allison Kur, Associate Deputy Commissioner (seated, left to right) Marilyn Ray Smith, Associate Deputy and Chief Legal Counsel, Amy Pitter, Deputy Commissioner, Nicky Famiglietti, Chief, Appeals, Legal Strategy and Professional Development, (not pictured) Catherine Butler, Chief, Strategic Planning and Analysis



Division of Local Services: (standing left to right) James Johnson, Chief, Bureau of Accounts, David Davies, Chief, Technology/CAMA, Bruce Stanford, Chief, Property Tax, Dieter Wahl, Chief, Education Audit, Frederick Kingsley, Chief, MDM/TAB, Gerard Perry, Associate Deputy Commissioner, Marilyn Browne, Chief, Local Assessment, (seated) Joseph Chessey, Deputy Commissioner





Inspectional Services Division: (seated) John Moynihan, Deputy Commissioner, (standing left to right) John Miles, Chief, Internal Affairs, Thomas Murray, Chief, Internal Audit



Administrative Services: (seated) Joseph Scotti, Deputy Commissioner; (left to right) Paul Naves, Chief, Financial Services, Georgann McClain, Chief, Human Resources, Anne Leslie, Chief, Employee Training/Development (not pictured) Sammy Akutsu, Director, Facilities



Legal Division: (seated) Donald Evans, General Counsel, (left to right) Jill Matsumoto, Deputy General Counsel, David Sheehan, Chief, Rulings and Regulations, Steven Remsberg, Chief, Litigation, Kevin Brown, Associate General Counsel



Executive Administration: (standing, left to right) Sandra Antonucci, Executive Assistant, Edward Peters, Director, Publishing Services, Rachel Madden, Director, Strategic Planning, Howard Merkowitz, Director, Tax Policy Analysis, Tanya Touhey, Director, Problem Resolution, Joseph McDermott, Taxpayer Advocate, Patricia Malone, Deputy Taxpayer Advocate, Ann Murphy, Director, Communications, (seated, left to right) Michael Matarazzo, Legislative Liaison, Harry Grossman, Director, Dispute Resolution, William Alpine, Director, Underground Storage Tank Program, Robert Penta, Director, Federal/State Exchange, Kenneth Rideout, Director, Criminal Investigations



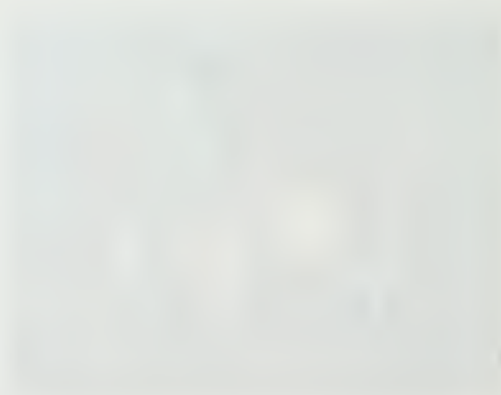
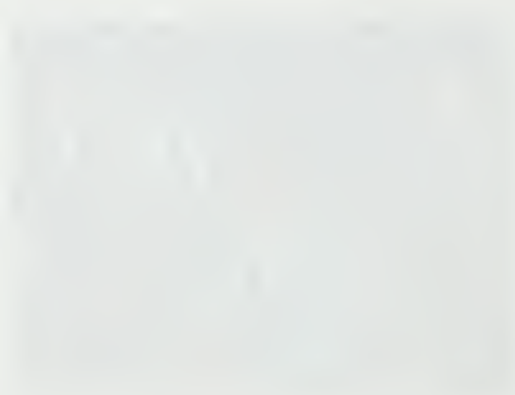
Taxpayer Service Division: (standing left to right) Sheila LeBlanc, Deputy Commissioner, Richard Gallagher, Chief, Automated Systems, (seated left to right) Majken Greenwood, Director, Management Services, Laurie McGrath, Chief, Customer Service



Compliance Division: (left to right) Stephan Moffatt, Deputy Commissioner, Joseph McDonough, Chief, Collections, Anthony Gentile, Chief, Special Enforcement



Information Services Organization: (seated) Vincent Piccinni, Deputy Commissioner, (standing left to right) Robert Norton, Chief, Mainframe Applications, Scott Akers, Jr., Chief, Technical Support, John Connolly, Chief, Data Center Management



Legislative Review

An Act Relative to Executors — Applicable to decedents dying on or after January 1, 1997, this act provides new procedures for the Massachusetts estate tax. *St. 1998, c. 147*

An Act Reducing Income Taxes and Unemployment Insurance Rates and Providing for Workforce Training — This act increases the Massachusetts personal income tax exemptions; reduces the tax rate on interest and dividends; brings the state tax code into conformity with the federal code in regard to Roth and educational IRAs, deferred compensation, capital gains on the sale of a principal residence, the definition of capital gains and losses, and the deduction of trade or business expenses; and makes several other changes relating to state tax law and tax administration. *St. 1998, c. 175*

Personal Income Tax

Increases to Personal Exemptions

Effective for tax year 1998, personal exemptions increase to \$3,815 for single filers; \$5,895 for heads of households; and \$7,630 for joint filers. For tax year 1999 and thereafter, personal exemptions increase to \$4,400 for single filers; \$6,800 for heads of households; and \$8,800 for joint filers. *St. 1998, c. 175, ss 10-15*

Tax Rate Reduction on Interest and Dividends

Effective January 1, 1999, the tax rate on interest and dividend income will be reduced to 5.95 percent. The current rate is 12 percent, however, for short-term capital gains and gains on collectibles, the current rate of 12 percent will remain in effect. *St. 1998, c. 175, s. 16*

Capital Gains and Losses

Capital gain income is defined as gain from the sale or exchange of a capital asset. In determining the amount of gain or loss on the sale or exchange or other disposition of property, the Massachusetts basis of property at M.G.L. c. 62, § 6F is used. Massachusetts now adopts the pertinent federal restrictions on the deduction of losses from personal use property and in related party transactions. These changes are effective for tax years beginning on or after January 1, 1998. *St. 1998, c. 175, § 7, amending M.G.L. c. 62, § 1(m). Also see St. 1998, c. 194, § 121, amending M.G.L. c. 62, § 1(m).*

Capital Gain on Sale of a Principal Residence

For federal income tax purposes, taxpayers may exclude from gross income certain capital gains from the sale of a principal residence. The federal exclusion is currently limited to \$250,000 for single filers and \$500,000 for joint filers. Homeowners may claim these exemptions every two years. *St. 1998, c. 175, § 9, amending M.G.L. c. 62, § 2(a).*

Roth and Education Individual Retirement Accounts

Massachusetts adopts the federal exclusions for distributions for Roth and education IRAs. *St. 1998, c. 175, §§ 9, 17 amending M.G.L. c. 62, §§ 2(a), 5.*

Tax-sheltered Annuity Contracts (under I.R.C. § 403(b))

Effective for tax years beginning on or after January 1, 1998, employees of universities and non-profit organizations are allowed to exclude

from Massachusetts gross income the full amount of voluntary contributions to their I.R.C. § 403(b) retirement plans. *St. 1998, c. 175, § 8, amending M.G.L. c. 62, § 2(a)(1).*

Deduction of Trade or Business Expenses

Massachusetts adopts certain federal rules governing the deduction of trade or business expenses. The new law will affect sole proprietors, partners in partnerships, S corporation shareholders and certain employees engaged in sales activities away from home. *St. 1998, c. 175, § 6, amending M.G.L. c. 62, § 1.*

Increased Carryover Period: Title V Septic System Credit

The Massachusetts credit for the replacement or repair of failed cesspools or septic systems is amended to extend the carryover period for unused credit from three to five years. *St. 1998, c. 175, § 18, amending M.G.L. c. 62, § 6(i).*

Stabilization Fund and Tax Reduction Fund

Funding for the Commonwealth stabilization fund is increased, and funding of the tax reduction fund (which is available to be returned to taxpayers) is decreased, by raising the threshold for transfers from the stabilization to the tax reduction fund. *St. 1998, c. 175, §§ 1, 2 amending M.G.L. c. 7A, § 12 and M.G.L. c. 29, § 2H.*

An Act Relative to Environmental Cleanup and Promoting the Redevelopment of Contaminated Property

— This act provides a new tax credit for amounts expended to rehabilitate brownfield sites on any property owned or leased for business purposes and located within an economically distressed area as defined in M.G.L. c. 21E, § 2. *St. 1998, c. 206, §§ 34, 44, amending M.G.L. c. 62, § 6 by adding new subsection (j); and St. 1998, c. 206, §§ 35, 44, amending M.G.L. c. 63 by adding new § 38Q.*

An Act Insuring Community Investment and the Equitable Taxation of Insurance Companies in Massachusetts

— This act reduces taxes on insurance companies that make voluntary contributions to community investment initiatives, provides new tax credits for insurance companies, and makes several other changes relating to insurance taxes and tax administration. *St. 1998, c. 259.*

Life Insurance Companies

The new law establishes the Massachusetts Life Insurance Company Community Investment Initiative (the life initiative). Life insurers may reduce their tax rate on net investment income from the current 14 percent if they contribute the required amount to the initiative over a five-year period. *St. 1998, c. 259, §§ 1, 2, 8, 10.*

Property and Casualty Insurance Companies

The new law establishes the Massachusetts Property and Casualty Insurance Company Economic Development Initiative (the P&C initiative). Property and casualty insurers may reduce their tax rate on gross investment income from the current 1 percent if they contribute the required amount to the initiative over a five-year period. *St. 1998, c. 259, §§ 1, 3, 9, 10.*

An Act Making Certain Appropriations and Transfer for Fiscal Year 1998

— This act authorizes the transfer of \$200 million in surplus revenue to the Tax Reduction Fund established by M.G.L. c. 29, § 21, for the purpose of reducing personal income taxes. The \$200 million tax reduction applies only to tax year 1998 and will be implemented by a temporary increase in the amounts of the personal exemption. *St. 1998, c. 260, § 7.*

An Act Relative to the Taxation of Common Trust Funds — This act amends the Massachusetts personal income tax law to adopt the federal tax treatment for conversions of common trust funds into regulated investment companies. This change is effective for tax years beginning on or after January 1, 1998. *St. 1998, c. 296, §§ 1, 2, amending M.G.L. c. 62, § 17(e).*

An Act Providing for the Construction of Certain Facilities of the Massachusetts Port Authority — Effective August 28, 1998, this act expands the sales and use tax exemption for sales of building materials and supplies used in certain public works projects to sales of building materials and supplies used in any building, structure, residence, school or other facility included under any written contract arising out of or related to the Massachusetts Port Authority residential and school soundproofing programs. *St. 1998, c. 313, § 1 amending M.G.L. c. 64H, § 6(f).*

An Act Making Appropriations for the Fiscal Year 1998 to Provide for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects — This act updates the Massachusetts personal income tax references to the Internal Revenue Code from January 1, 1988 to January 1, 1998. In addition, the term "qualified funeral trust" has the same meaning for Massachusetts income tax purposes as in the Internal Revenue Code as amended on January 1, 1998. *St. 1998, c. 319 § 6 amending M.G.L. c. 62, § 1, and St. 1998 c. 319, § 7 amending M.G.L. c. 62 by adding new § 10A.*

An Act Reforming the Tax Laws of the Commonwealth — This act authorizes the Commissioner to settle disputes at the pre- and post-assessment stages; requires the Commissioner to establish a Department of Revenue training program; rewrites M.G.L. c. 58A, the enabling statute for the Appellate Tax Board; and makes several other changes relating to Massachusetts tax law and tax administration. The effective date of the following provisions is January 1, 1999. *St. 1998, c. 485, § 1, amending M.G.L. c. 14 by adding new § 8; § 2, amending M.G.L. by striking out chapter 58A and inserting in its place new chapter 58A; §§ 13-16, amending M.G.L. c. 62C, § 37A, and adding new § 37C.*

Public Written Statements

- With certain exceptions, the Department must issue a Technical Information Release (TIR) with respect to any final court decision interpreting Massachusetts tax law within four months of the decision.
- The Department must issue letter rulings within 120 days of the receipt of a written request by a taxpayer. The taxpayer requesting the letter ruling must provide the Department with all information necessary to make the ruling. If additional time is needed, the Department must notify the taxpayer in writing and specify a date on which the ruling will be issued.

- The Department must make public written statements, tax guides and other publications available to the public at the Department and at other public facilities chosen by the Commissioner. Public notice may include publication on the internet. Any regulation made available to the public must be accompanied by a fact sheet or other summary explaining the provisions of the regulation.

St. 1998, c. 485, § 9 amending M.G.L. c. 62C, § 3.

Department Policy Changes

The Department cannot make an assessment based on a change in tax law or departmental policy unless such change in policy first is announced to taxpayers pursuant to a regulation, technical information release, directive, administrative procedure, or other public written statement that explains the change in policy. *St. 1998, c. 485, § 11, amending M.G.L. c. 62C, § 26.*

Bankruptcy Cases

The three-year period for making an assessment is suspended during the time that the taxpayer has a bankruptcy case pending. In addition, the running of the six-year period of limitations on collections is suspended for the period during which the commissioner is prohibited by bankruptcy law from collecting the tax, and for the period during which a plan for payment of the tax is in effect, and for six months thereafter. *St. 1998, c. 485, § 10 amending M.G.L. c. 62C, § 26, and St. 1998, c. 485, § 19, amending M.G.L. c. 62C, § 65.*

Abatements based on Federal Changes

For purposes of M.G.L. c. 62C, § 30 permitting an application for abatement of Massachusetts tax based on a federal change, a "final determination of change by the federal government" may be initiated by the filing of an amended federal return by the taxpayer. *St. 1998, c. 485, § 12, amending M.G.L. c. 62C, § 30.*

Estimated Income Tax

The amount of required estimated income tax payments for some taxpayers is lowered by taking into account credits to which the taxpayer will be entitled. In addition, penalties for underpayment of estimated income taxes will be calculated with simple interest instead of daily compounding. *St. 1998, c. 485, §§ 6, 7, and 8, amending M.G.L. c. 62B, §§ 13 and 14.*

Claim for Bad Debt Reimbursement

The new law allows vendors to file a claim for bad debt reimbursement up to the due date (including extensions) for filing their federal income tax returns. *St. 1998 c. 485, § 20, amending M.G.L. c. 64H, § 33.*

Interest on Overpayments

With certain restrictions, taxpayers are entitled to interest on overpayments of taxes. This legislation expands the eligibility of taxpayers to receive interest on overpayments of tax. *St. 1998, c. 485, § 17, amending M.G.L. c. 62C, § 40.*

The Taxes FY 1999

TYPE OF TAX	MEASURE	RATE ¹	RETURN DUE
Personal Income and Fiduciary Income	Dividends, net capital gains, ² interest other than	12.0%	On or before April 15 for calendar year filings.
	Mass. bank interest and interest received by pawnbrokers		The 15th day of the 4th month for fiscal year filings.
	Other income	5.95%	
Nonresident	Mass. source income		
Estimated Tax	Liability in excess of \$200		Due quarterly on or before the 15th day of April; June, September and January.
Withholding	Wages	5.95%	Varies depending on amount of tax withheld in calendar year. If annual withholding: up to \$100 — annual filing; \$101–1,200 — quarterly filings; \$1,201–25,000 — monthly filings; over \$25,000 — quarterly filings, weekly payments.
Estate	Federal taxable estate	0.8%–16% ³	Within 9 months after date of decedent's death.
Nonresident	Mass. real and tangible property		Within 9 months after date of decedent's death.
Alcoholic Beverages	Malt (31-gal. bbl.)	\$3.30	Monthly, on or before the 20th day of the month.
	Cider 3%–6% (wine gal.)	\$.03	
	Still wine 3%–6% (wine gal.)	\$.55	
	Sparkling wine (wine gal.)	\$.70	
	Alcoholic beverages 15% or less (wine gal.)	\$1.10	
	Alcoholic beverages more than 15%–50% (wine gal.)	\$4.05	
	Alcoholic beverages more than 50% or alcohol (proof gal.)	\$4.05	
Cigarettes	20-count package	\$.76	Monthly, on the 20th day of the month. Unclassified acquirers must file upon importation or acquisition.
	Smokeless tobacco (percentage of price paid by licensee)	75%	Quarterly, on or before the 20th day following the close of the tax period.
	Cigars and smoking tobacco (percentage of price paid by licensee)	15%	
Marijuana and Controlled Substances Tax	Weight of marijuana	\$3.50 per gram	Payment due immediately upon acquisition or possession in Massachusetts by dealer. Payment evidenced by stamps purchased from the Commissioner.
	Weight of controlled substance	\$200 per gram	
	Dosage unit of controlled substance	\$2,000 per 50 dosage units	
Deeds	Sales price (less mortgage assumed) of real estate	\$2.28 ⁴ per \$500	Monthly, on or before the 10th day of the month (filed by Registers of Deeds).
Motor Fuels	Gasoline and diesel fuel per gallon	19.1%	Monthly, on or before the 20th day of the month.
	Average wholesale price (21¢ minimum)		
	Propane, liquified gas, etc. (no minimum)	19.1%	
	Aviation (10¢ minimum)	7.5%	
	Jet fuel at local option (5¢ minimum)	5%	
Room Occupancy	Transient room occupancy	5.7%	Monthly, on or before the 20th day following the close of the tax period.
	At local option, up to	4.0%	
	Convention Center Financing Fee	2.75%	
	(Boston, Cambridge, Springfield and Worcester)		
Club Alcoholic Beverages	Gross receipts	0.57%	On or before April 15.

¹ Tax rates as of August 1, 1998.

² Effective for the 1998 tax year, short-term capital gains are taxed at 12%, gains on property (other than collectibles) held more than one year but not more than two years are taxed at 5%, if held more than two years but not more than three years taxed at 4% and if held more than three years taxed at 3%. Effective for the 1999 tax year, interest and dividends are taxed at 5.95%, short-term capital gains are taxed at 12%, gains on property (other than collectibles) held more than one year but not more than two years are taxed at 5%, if held more than two years but not more than three years taxed at 4%, if held more than three years but not more than four years taxed at 3%, and if held more than four years taxed at 2%.

³ Resident rate is equal to federal credit for state death taxes. Nonresident rate is equal to Massachusetts proportionate share of federal credit for state death taxes.

⁴ In Barnstable County, the rate is \$5.70 per \$1,000.

TYPE OF TAX	MEASURE	RATE	RETURN DUE
Sales and Use Tax	Sale, rental or use of tangible personal property, including cigarettes, telecommunication services and certain fuel.	5%	On or before the 20th day following the close of the tax period. If annual liability: up to \$100 — annual filing; \$101–1,200 — quarterly filings; over \$1,200 — monthly filings
Sales Tax on Meals, Prepared Food and All Beverages	All "restaurant" food and on-premises consumption of any beverages in any amount.	5%	Monthly, on or before the 20th day following the close of the tax period.
Business and Manufacturing Corporations	Net income Tangible property or net worth Minimum	9.5% ⁵ \$2.60 per \$1,000 \$456	On or before the 15th day of third month after close of taxable year.
Estimated Tax	Liability in excess of \$1,000		Due quarterly as follows: 15th day of 3rd (40%), 6th (25%), 9th (25%) and 12th (10%) months of taxable year. ⁶
Security Corporation			
Non-bank Holding Co.	Gross income	1.32%	Same as business corporations.
Bank Holding Company	Gross income	0.33%	
	Minimum	\$456	
Financial Institutions			
Commercial Bank and Thrift Institution	Net income	10.91% ⁷	Same as business corporations.
Other Financial Institutions	Net income	10.50%	
	Minimum	\$456	
Public Utilities	Net income	6.5%	Same as business corporations.
Ship Excise Tax	Value (equity interest) of the corporation's interest in a ship or vessel engaged in interstate or foreign trade.	0.379%	Same as business corporations.
Insurance Company			
Domestic Life	Premiums	2.0%	On or before March 15.
	Mass. net investment income	14.0%	
Foreign Life	Premiums	2.0%	
Domestic Casualty	Premiums	2.28%	
	Gross investment income	1.0%	
Foreign Casualty	Premiums	2.28%	
Ocean Marine	Underwriting profit	5.7%	On or before May 15.
Preferred Provider Arrangements	Premiums	2.28%	On or before March 15.
Motor Vehicle garaged outside Massachusetts	90% to 10% of manufacturer's list price	\$25 per \$1,000	On or before 30 days from issuance of tax bill.
Boston Sightseeing Tour	Ticket purchase price of any water- or land-based sightseeing tourist venue or entertainment cruise or trolley tour originating or located in Massachusetts and conducted partly or entirely in Boston.	5%	Quarterly, on or before the 20th day following the close of the tax period.
Boston Vehicular Rental Transaction Surcharge	Each vehicular rental transaction contract executed in Boston.	\$10	Quarterly, on or before the 20th day following the close of the tax period.
Parking Facilities Surcharge in Boston, Springfield and/or Worcester	Parking facilities built in conjunction with, or as part of, a project authorized by the Convention Center Financing act in Boston, Springfield or Worcester.	\$2 per vehicle day	Quarterly, on or before the 20th day following the close of the tax period.

⁵ S corporations: 4.5% if total receipts \$9 million or more; 3% if total receipts are \$6 million or more but less than \$9 million.

⁶ 30%, 25%, 25% and 20% for corporations with fewer than 10 employees in their first full tax year.

⁷ Effective for the 1999 tax year the rate is 10.50%.

Revenue Collections FY 1999

(in thousands)	FY95	FY96	FY97	FY98	FY99	FY98-99 %Change
STATE TAXES COLLECTED BY DOR						
Tax on Personal Income						
TOTAL	\$ 5,974,201	\$ 6,706,870	\$ 7,181,821	\$ 8,031,943	\$ 8,036,585	0.06
Taxes on Business						
Corporations	\$ 910,965	\$ 876,341	\$ 963,873	\$ 1,066,865	\$ 1,008,662	(5.46)
Insurance Companies	284,270	284,905	289,272	302,765	317,206	4.77
Public Utilities	88,726	132,890	109,220	131,976	132,471	0.38
Commercial Banks ¹	164,529	150,583	98,984	157,307	118,818	(24.47)
Savings Institutions ¹	41,447	68,047	41,249	(1,249)	(10,278)	(722.90)
TOTAL	\$ 1,489,937	\$ 1,512,766	\$ 1,502,598	\$ 1,657,664	\$ 1,566,879	(5.48)
Taxes on Commodities Sold						
Motor Fuels	\$ 577,501	\$ 598,773	\$ 602,841	\$ 621,292	\$ 636,551	2.46
Cigarettes	234,163	232,845	281,708	300,812	284,439	(5.44)
Alcoholic Beverages	60,728	59,741	60,302	60,162	60,988	1.37
Sales & Use ²	2,136,971	2,252,083	2,494,702	2,572,560	2,833,644	10.15
Sales on Meals	344,329	358,010	381,364	389,975	436,184	11.85
TOTAL	\$ 3,353,692	\$ 3,501,453	\$ 3,820,916	\$ 3,944,801	\$ 4,251,806	7.78
Other Taxes						
Estate & Inheritance	\$ 209,281	\$ 188,021	\$ 202,707	\$ 191,336	\$ 173,867	(9.13)
Room Occupancy Excise	68,825	72,857	80,544	96,156	119,467	24.24
Deeds Excise ³	40,163	42,679	48,332	64,992	73,013	12.34
Club Alcoholic Beverage Excise	605	525	578	687	532	(22.56)
Motor Vehicle Excise	173	102	128	152	168	10.53
Controlled Substances	0	0	0	0	0	0.00
Convention Center Surcharge	0	0	0	1,954	12,436	536.44
TOTAL	\$ 319,047	\$ 304,183	\$ 332,288	\$ 355,277	\$ 379,483	6.81
Total State Taxes Collected by DOR	\$11,136,877	\$12,025,272	\$12,837,623	\$13,989,685	\$14,234,753	1.75

¹ Due to bank tax reform legislation starting in FY98, all bank tax transactions (both savings and commercial) for tax years 1998 or later now appear in the Commercial Bank Excise category.

² Include sales and use tax on motor vehicles.

³ Due to different accounting methods, amounts reported for the deeds excise differ from those amounts reported by the comptroller.

Because of rounding, detail may not add to Totals.

The figures contained herewith are DOR figures pending the Comptroller's Fiscal Year 1999 Statutory Basis Annual Financial Report.

1896					Total
Jan	Feb	Mar	Apr	May	
1	2	3	4	5	6
7	8	9	10	11	12
13	14	15	16	17	18
19	20	21	22	23	24
25	26	27	28	29	30
31	32	33	34	35	36
37	38	39	40	41	42
43	44	45	46	47	48
49	50	51	52	53	54
55	56	57	58	59	60
61	62	63	64	65	66
67	68	69	70	71	72
73	74	75	76	77	78
79	80	81	82	83	84
85	86	87	88	89	90
91	92	93	94	95	96
97	98	99	100	101	102
103	104	105	106	107	108
109	110	111	112	113	114
115	116	117	118	119	120
121	122	123	124	125	126
127	128	129	130	131	132
133	134	135	136	137	138
139	140	141	142	143	144
145	146	147	148	149	150
151	152	153	154	155	156
157	158	159	160	161	162
163	164	165	166	167	168
169	170	171	172	173	174
175	176	177	178	179	180
181	182	183	184	185	186
187	188	189	190	191	192
193	194	195	196	197	198
199	200	201	202	203	204
205	206	207	208	209	210
211	212	213	214	215	216
217	218	219	220	221	222
223	224	225	226	227	228
229	230	231	232	233	234
235	236	237	238	239	240
241	242	243	244	245	246
247	248	249	250	251	252
253	254	255	256	257	258
259	260	261	262	263	264
265	266	267	268	269	270
271	272	273	274	275	276
277	278	279	280	281	282
283	284	285	286	287	288
289	290	291	292	293	294
295	296	297	298	299	300
301	302	303	304	305	306
307	308	309	310	311	312
313	314	315	316	317	318
319	320	321	322	323	324
325	326	327	328	329	330
331	332	333	334	335	336
337	338	339	340	341	342
343	344	345	346	347	348
349	350	351	352	353	354
355	356	357	358	359	360
361	362	363	364	365	366
367	368	369	370	371	372
373	374	375	376	377	378
379	380	381	382	383	384
385	386	387	388	389	390
391	392	393	394	395	396
397	398	399	400	401	402
403	404	405	406	407	408
409	410	411	412	413	414
415	416	417	418	419	420
421	422	423	424	425	426
427	428	429	430	431	432
433	434	435	436	437	438
439	440	441	442	443	444
445	446	447	448	449	450
451	452	453	454	455	456
457	458	459	460	461	462
463	464	465	466	467	468
469	470	471	472	473	474
475	476	477	478	479	480
481	482	483	484	485	486
487	488	489	490	491	492
493	494	495	496	497	498
499	500	501	502	503	504
505	506	507	508	509	510
511	512	513	514	515	516
517	518	519	520	521	522
523	524	525	526	527	528
529	530	531	532	533	534
535	536	537	538	539	540
541	542	543	544	545	546
547	548	549	550	551	552
553	554	555	556	557	558
559	560	561	562	563	564
565	566	567	568	569	570
571	572	573	574	575	576
577	578	579	580	581	582
583	584	585	586	587	588
589	590	591	592	593	594
595	596	597	598	599	600
601	602	603	604	605	606
607	608	609	610	611	612
613	614	615	616	617	618
619	620	621	622	623	624
625	626	627	628	629	630
631	632	633	634	635	636
637	638	639	640	641	642
643	644	645	646	647	648
649	650	651	652	653	654
655	656	657	658	659	660
661	662	663	664	665	666
667	668	669	670	671	672
673	674	675	676	677	678
679	680	681	682	683	684
685	686	687	688	689	690
691	692	693	694	695	696
697	698	699	700	701	702
703	704	705	706	707	708
709	710	711	712	713	714
715	716	717	718	719	720
721	722	723	724	725	726
727	728	729	730	731	732
733	734	735	736	737	738
739	740	741	742	743	744
745	746	747	748	749	750
751	752	753	754	755	756
757	758	759	760	761	762
763	764	765	766	767	768
769	770	771	772	773	774
775	776	777	778	779	780
781	782	783	784	785	786
787	788	789	790	791	792
793	794	795	796	797	798
799	800	801	802	803	804
805	806	807	808	809	810
811	812	813	814	815	816
817	818	819	820	821	822
823	824	825	826	827	828
829	830	831	832	833	834
835	836	837	838	839	840
841	842	843	844	845	846
847	848	849	850	851	852
853	854	855	856	857	858
859	860	861	862	863	864
865	866	867	868	869	870
871	872	873	874	875	876
877	878	879	880	881	882
883	884	885	886	887	888
889	890	891	892	893	894
895	896	897	898	899	900
901	902	903	904	905	906
907	908	909	910	911	912
913	914	915	916	917	918
919	920	921	922	923	924
925	926	927	928	929	930
931	932	933	934	935	936
937	938	939	940	941	942
943	944	945	946	947	948
949	950	951	952	953	954
955	956	957	958	959	960
961	962	963	964	965	966
967	968	969	970	971	972
973	974	975	976	977	978
979	980	981	982	983	984
985	986	987	988	989	990
991	992	993	994	995	996
997	998	999	1000	1001	1002

	FY95	FY96	FY97	FY98	FY99	FY98-99 %Change
LOCAL TAXES COLLECTED BY DOR ON BEHALF OF COMMUNITIES						
Urban Redevelopment	\$ 38,689	\$ 37,632	\$ 38,317	\$ 40,734	\$ 40,849	0.28
Local Option Airplane Jet Fuel	11,760	12,520	13,059	12,984	14,896	14.73
Local Option Room Occupancy	42,986	49,868	55,599	60,677	68,471	12.85
Total Local Taxes Collected by DOR on Behalf of Communities	\$ 97,341	\$ 100,020	\$ 106,976	\$ 114,395	\$ 124,216	8.59
OTHER REVENUE						
Utility & Insurance Assessments	\$ 7,055	\$ 8,598	\$ 3,386	\$ 4,772	0	(100.00)
Department Fees, Licenses, etc.	3,805	4,612	6,604	7,399	7,287	(1.51)
County Correction Fund — Deeds	5,844	6,204	6,969	9,457	10,603	12.12
Abandoned Deposits — Bottle	12,388	16,421	17,213	20,025	25,683	28.25
Total Other Revenue	\$ 29,091	\$ 35,836	\$ 34,172	\$ 41,653	\$ 43,573	4.61
STATE TAXES COLLECTED BY OTHER AGENCIES						
Horse & Dog Racing	\$ 13,996	\$ 11,377	\$ 10,185	\$ 9,193	\$ 8,269	(10.05)
Beano and Boxing	4,270	3,954	3,854	3,606	3,340	(7.38)
Raffles/Bazaars	1,094	1,024	1,023	1,039	989	(4.81)
Special Insurance Brokers	8,384	9,234	8,484	8,076	7,968	(1.34)
Total State Taxes Collected by Other Agencies	\$ 27,743	\$ 25,589	\$ 23,471	\$ 21,914	\$ 20,566	(6.15)
TAXES ON PROPERTY COLLECTED BY LOCAL GOVERNMENT						
Real Estate	\$ 5,402,459	\$ 5,611,382	\$ 5,838,099	\$ 6,130,097	\$ 6,416,515	4.67
Personal Property	298,608	309,312	322,086	325,795	336,571	3.31
Motor Vehicles	381,495	381,538	413,194	469,266	436,808	(6.92)
Total Taxes on Property Collected by Local Government	\$ 6,082,562	\$ 6,302,232	\$ 6,519,037	\$ 6,925,159	\$ 7,189,894	3.82
TOTAL ALL TAXES	\$17,373,614	\$18,488,949	\$19,521,279	\$21,092,806	\$21,613,002	2.47

Because of rounding, detail may not add to Totals.

The figures contained herewith are DOR figures pending the Comptroller's Fiscal Year 1999 Statutory Basis Annual Financial Report.



Cherry Sheet Estimates by Program, FY 1995–FY 1999

All Municipalities and Regional School Districts

	FY95	FY96	FY97	FY98	FY99
Education Aid					
Chapter 70	\$1,622,501,870	\$1,831,818,547	\$2,061,593,725	\$2,288,742,702	\$2,566,134,016
School Transportation	57,600,001	57,600,000	57,600,004	57,599,996	57,600,000
School Construction	168,591,631	174,348,518	187,466,016	211,135,705	234,572,324
Regional School Transportation	26,939,605	26,939,604	27,939,604	28,639,607	33,987,758
Retired Teachers' Pensions	34,000,000	35,500,000	35,000,000	35,000,000	35,000,000
Tuition of State Wards	2,485,168	3,986,947	7,508,959	16,585,422	17,082,980
Racial Equality	24,398,222	24,398,223	24,398,223	24,398,223	24,398,223
School Lunch	5,169,844	5,150,903	5,143,509	4,873,818	5,126,830
Other Education	0	0	0	0	0
Subtotal, Education Aid	\$1,941,686,341	\$2,159,742,742	\$2,406,650,040	\$2,666,975,473	\$2,973,902,131
General Government					
Lottery	\$ 391,600,000	\$ 442,600,000	\$ 484,180,000	\$ 539,665,201	\$ 597,453,642
Additional Assistance	476,315,282	476,315,282	476,315,282	476,315,282	476,315,282
Highway Fund	43,472,110	43,472,110	43,472,110	43,472,110	43,472,110
Local Share of Racing Taxes	1,366,343	1,433,572	1,584,192	1,633,059	1,485,252
Regional Public Libraries	11,756,605	11,757,470	11,780,522	10,295,610	9,669,622
Police Career Incentive	11,500,000	11,500,000	12,660,093	17,529,397	20,460,923
Urban Renewal Projects	2,700,649	2,612,519	2,612,519	2,722,823	2,675,904
Veterans' Benefits	11,656,783	10,334,296	10,300,000	8,610,000	8,413,276
Exemptions — Vets, Blind, and Surviving Spouses	4,462,662	4,500,000	4,500,000	8,208,220	7,885,380
Exemptions — Elderly	14,371,802	14,040,954	13,600,000	13,400,000	12,956,990
State Owned Land	6,500,000	6,900,000	7,900,000	10,000,000	12,000,000
Public Libraries	6,899,804	6,899,804	6,899,804	6,899,804	6,899,804
Other General Government	0	0	0	0	0
Subtotal, General Government	\$ 982,602,040	\$1,032,366,007	\$1,075,804,522	\$1,138,751,506	\$1,199,688,185
Total Estimated Receipts	\$2,924,288,381	\$3,192,108,749	\$3,482,454,562	\$3,805,726,979	\$4,173,590,316

Offers in Final Settlement FY 1999

Under M.G.L. c. 62C, sec. 37A, the Commissioner of Revenue has the authority, under specific conditions, to accept less than full payment as a final settlement for a state tax liability. The statutory condition for such settlement is "serious doubt" as to collectibility of the tax due or the taxpayer's liability for it. The Commissioner must also determine that the taxpayer or responsible person has acted without intent to defraud. The settlement must be recommended to the Commissioner by at least two deputy commissioners.

The written agreement, signed by all parties and including the reasons for settlement, is a public record. In cases where the liability is reduced by more than half, or by \$20,000 or more, the Attorney General of the Commonwealth must review the settlement and has the authority to object to it.

The law requires that a listing of all settlements entered into during the fiscal year be included in the Commissioner's annual report. In Fiscal Year 1999, 14 settlements were made. All 14 were reviewed by the Attorney General. The Department rejected 113 other offers.

The cases approved were as follows:

NAME	TOTAL TAX, INT. & PEN.	AMOUNT PAID IN SETTLEMENT	AMOUNT ABATED
Anderson, Dana J.	\$ 24,726	\$ 6,000	\$ 18,726
Bertucci, Louis, Jr.	26,349	15,000	11,349
Butters, Alfred (RP)	183,316	107,000	76,316
D & L Enterprises, Wright, Arthur & Karen (RP)	89,029	52,500	36,529
Flaherty, Marianne	2,586	500	2,086
Godbout, Marcel & Ada	24,818	10,000	14,818
Hall, John R. & Faith M.	42,641	33,200	9,441
Hanley, Gregory (RP)	24,915	20,000	4,915
Lento Vincent J., III	22,682	4,000	18,682
MacDonald Robert	8,740	3,500	5,240
Porter, James H.	211,458	20,800	190,658
Silverman, Steven	130,220	15,100	115,121
Silverman, Steven & M.	48,547	5,100	43,447
Sullivan, Donna M.	12,483	3,000	9,483
TOTAL	\$852,511	\$295,700	\$556,811

Because of rounding, detail may not add to Totals.

The figures contained herewith are DOR figures pending the Comptroller's Comprehensive Annual Financial Report.

Collection Agencies FY 1999

Chapter 209 of the Acts of 1988 permits the Commissioner of Revenue to use private collection agencies to collect unpaid state taxes. The Commissioner is required to notify all taxpayers whose accounts are to be assigned to a collection agency at least 30 days beforehand.

The law requires that the Commissioner list all agencies with whom collection agreements exist, the amount of taxes collected and the amount of compensation paid in the Department's annual report.

They are as follows:

CONTRACTOR	TOTAL COLLECTED	FEES PAID	NET TO DOR
Capital Credit Corp.	\$ 552,463	\$ 111,067	\$ 441,396
GC Services	1,144,652	162,182	982,471
MTB	73,437	8,666	64,771
Payco-OSI	1,243,917	233,179	1,010,739
Nationwide Credit	70,710	11,995	58,715
TOTAL	\$3,085,180	\$527,089	\$2,558,092

Because of rounding, detail may not add to Totals.

The figures contained herewith are DOR figures pending the Comptroller's Comprehensive Annual Financial Report.

THE HISTORY OF THE UNITED STATES

The history of the United States is a story of growth and change. From the first settlers to the present day, the nation has evolved through various stages of development. The early years were marked by exploration and settlement, followed by a period of rapid expansion and industrialization. The American Revolution and the subsequent years of the 18th and 19th centuries were characterized by a struggle for independence and the establishment of a new government. The 20th century has seen the United States emerge as a global superpower, with significant contributions to science, technology, and culture.

The American Revolution was a pivotal moment in the nation's history. It was a struggle for independence from British rule, fought between 1775 and 1783. The revolution was led by a group of patriots who believed in the rights of the colonists to self-governance. The war was a difficult and bloody conflict, but it ultimately resulted in the United States becoming an independent nation. The revolution was followed by a period of rapid growth and expansion, as the United States moved westward and established new territories. This period was also marked by the development of a new government, the Constitution, which provided for a system of checks and balances and the separation of powers.

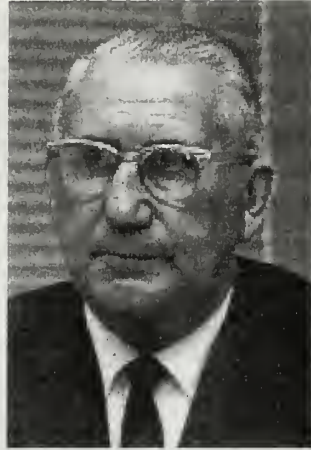
THE AMERICAN REVOLUTION

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Previous DOR Commissioners



Leo E. Diehl 1963-1965



Cleo Jaillet 1967-1972

Whether known as the "Tax Commissioner," the "Commissioner of Corporations and Taxation," or today's "Commissioner of Revenue," the Department of Revenue has had a distinguished and talented succession of Commissioners overseeing this vital agency.

Henry F. Long 1920-1953

William Schan 1953-1955

John Dane Jr. 1955-1957

Joseph Healey 1957-1958

Steve Higgins 1958

Robert Capeless 1958-1961

Guy Rizzotto 1961-1963, 1965-1967

Leo E. Diehl 1963-1965

Cleo Jaillet 1967-1972

Nicholas Metaxas 1972-1975

Owen L. Clarke 1975-1977

Laurence Fitzmaurice 1977-1978

Robert Kane 1978-1979

Daniel Breen (interim) 1979, 1983

L. Joyce Hampers 1979-1983

Ira A. Jackson 1983-1987

Stephen W. Kidder 1987-1991

Mitchell Adams 1991-1998

Bernard F. Crowley, Jr. 1998-1999

Frederick A. Laskey 1999-present



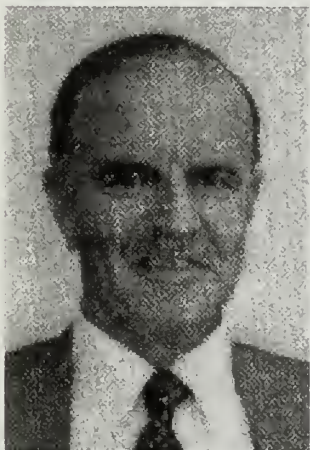
Nicholas Metaxas 1972-1975



Owen L. Clarke 1975-1977



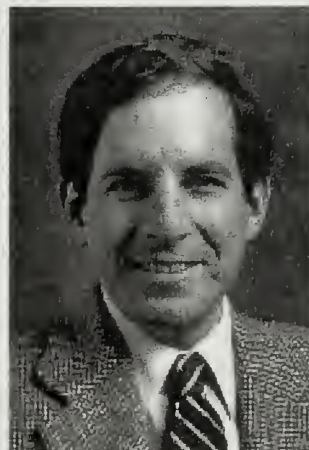
Laurence Fitzmaurice 1977-1978



Daniel Breen 1979, 1983



L. Joyce Hampers 1979-1983



Ira A. Jackson 1983-1987



Stephen W. Kidder 1987-1991

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DOR Commissioners **FY99**



Commissioner
Frederick A. Laskey, (seated),
Senior Deputy Commissioner
Bernard F. Crowley, Jr.,
Former Commissioner
Mitchell Adams

1911
Vol. 41
Part 1



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Employees of the Month



(standing, left to right)

Sharyn Adelman – *Bureau of Accounts, Division of Local Services.* A valuable and enthusiastic member of the Local Services team, Sharyn Adelman created a series of well-received presentations used during several DLS speaking engagements around the Commonwealth.

Audrey Rushton – *Legal Division.* With a new millennium upon us, attorney Audrey Rushton was a driving force behind DOR's Y2K planning team.

Sandra Shinkwin – *Collections Bureau, Compliance Division.* In addition to Sandra Shinkwin's professionalism and expertise as a tax examiner in the Collections Bureau, she was also a valuable contributor to the Department's Y2K initiative.

Cathy Smith – *Legal Operations Bureau, Child Support Enforcement Division.* In CSE's Brockton office, Cathy Smith helped implement the legal operations on a new computer network, as well as assisted in casework, troubleshooting, and training.

Gladys Dorch – *Commissioner's Office.* Gladys Dorch is a dedicated and loyal employee who consistently performed her duties in the Commissioner's Office in a competent and professional manner.

Mary Hallaren – *Mainframe Applications Bureau, Information Services Organization.* Already a valued member of the MASSTAX Transaction Processing team, Mary Hallaren agreed to the additional, and challenging, task of being a coordinator for the Year 2000 Renovation and Testing Teams.

Bernard F. Crowley, Jr., *Senior Deputy Commissioner*

Kevin Burns – *Office of Internal Affairs, Inspectional Services Division.* Kevin Burns was cited for his outstanding efforts in calming a domestic violence situation in an expedient and professional manner.

Jack Fernandes – *Customer Service Bureau, Taxpayer Service Division.* In his nomination letter, Jack Fernandes was described as one of the most intelligent, knowledgeable, thorough, and dedicated employees in the Trustee Tax Unit.

Kabita Lombard – *Bureau of Desk Audit, Audit Division.* Kabita Lombard distinguished herself with her extensive knowledge of the alcoholic beverage excise program, as well as with her dedication to improving customer service.

(seated, left to right)

Jocelyn Waldron – *Data Integration Bureau, Processing Division.* Conscientious and dedicated, Jocelyn Waldron approached tasks with the same enthusiasm and commitment that make her a successful supervisor.

Frederick A. Laskey, *Commissioner*

David Swindle – *Automated Processing Bureau, Processing Division.* As the lead examiner within the Electronic Funds Transfer Unit (EFT), David Swindle continuously looked for ways to improve the quality of service to both internal and external customers.



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